

# AUDIT REPORT



Newark Housing Authority  
Low-Rent Housing Program

Newark, New Jersey

92-NY-204-1009

September 24, 1992

OFFICE OF AUDIT, REGION II  
NEW YORK, NEW YORK



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TO: Burton Bloomberg, Acting Manager  
Newark Office

*A Paul Kane*

FROM: A. Paul Kane, Regional Inspector General for Audit  
Region II

SUBJECT: Newark Housing Authority  
Low-Rent Housing Program  
Newark, New Jersey

We audited the Housing Authority of the City of Newark, New Jersey (hereafter called the NHA) pertaining to the operations of its public housing programs for low-income persons of the City of Newark. The purpose of the audit was to determine whether the NHA is:

- providing tenants with decent, safe and sanitary units that meet mandatory minimum Housing Quality Standards (HQSs) prescribed by the U.S. Department of Housing and Urban Development (HUD);
- managing its programs and operations effectively, efficiently, and economically; and
- complying with the terms and conditions of its Annual Contributions Contract (ACC), applicable laws, HUD regulations, and other applicable directives.

We found that the housing stock of the NHA has deteriorated to the extent that at December 31, 1991, 5,770 or 45 percent of its original 12,904 units were either deprogrammed, demolished, or vacant. We attributed the deterioration of the housing stock to various historical operating problems and an ineffective maintenance operation. Also, we found that although thousands of units became vacant during the past ten years, the NHA, in accordance with regulations, continued to receive millions of dollars in annual Federal subsidies for those units, many of which are in buildings that are closed and sealed. At the same time, thousands of qualified applicants on the NHA's waiting lists were being denied access to public housing. Moreover, our physical inspections of the occupied units disclosed that between 94.9 and 99.4 percent would fail HUD's mandatory minimum HQSs. These percentages show that the NHA is not effectively meeting its objective of maintaining its units in a decent, safe, and sanitary manner and in compliance with required HQSs.

Additionally, we found that:

- the Housing Finance Corporation (HFC), a nonprofit corporation and instrumentality of the NHA, did not use excess compensation in accordance with Federal regulations;
- the NHA is not adhering to establish admission procedures;
- the NHA travel policy is not comparable with local public practice; and
- the NHA needs to implement corrective actions to promote better efficiency and economy in its operations pertaining to distributing payroll checks, safeguarding unused rent receipt forms, and allocating employee fringe benefit costs.

Within 60 days, please give us for each recommendation made in the report, a status report on: (1) the corrective action taken; (2) the proposed corrective action and the date to be completed; or (3) why action is not considered necessary. Also, please furnish us copies of any correspondence or directives issued related to the audit.

Should you or your staff have any questions, please contact Alexander C. Malloy, Assistant Regional Inspector General for Audit at (212) 264-8048.

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# Executive Summary

We completed an audit of the NHA pertaining to the operations of its Low-Rent Housing Program. The objectives of the audit were to determine whether the NHA is:

- providing tenants with decent, safe and sanitary units that meet HUD's mandatory minimum HQSs;
- managing its programs and operations effectively, efficiently, and economically; and
- complying with the terms and conditions of its ACC, applicable laws, HUD regulations, and other applicable directives.

We found that the housing stock of the NHA has deteriorated to the extent that at December 31, 1991, 5,770 or 45 percent of its original 12,904 units were either deprogrammed, demolished or vacant. We attributed the deterioration of the housing stock to various historical operating problems and an ineffective maintenance operation. Also, we found that although thousands of units became vacant during the past ten years, the NHA benefitted financially by receiving millions of dollars in annual Federal subsidies to operate these units, many of which are in buildings that are closed and sealed (See Appendix C). The receipt of these subsidies is permitted unless the NHA voluntarily requests HUD to deprogram these units. As a result of the serious vacancy problems, thousands of qualified applicants on waiting lists were denied access to public housing. Moreover, our physical inspections of occupied units disclosed that between 94.9 and 99.4 percent would fail HUD's mandatory minimum HQSs. These percentages show that the NHA is not effectively meeting its objective of maintaining its units in a decent, safe, and sanitary manner and in compliance with required HQSs.

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In addition to the above, we found that:

- The HFC did not use excess compensation that was received in conjunction with facilitating tax exempt financing for sponsors of HUD insured multifamily projects to fund debt service reserves of those projects, as required by Title 24, Code of Federal Regulations, Part 811. Instead, the NHA improperly used at least \$379,183.40 of those funds to pay legal and consultant services that were not related to HFC activities. Accordingly, we consider those costs unsupported pending an eligibility determination by HUD.
- The NHA did not follow its own admission procedures and/or HUD requirements pertaining to

maintaining and using waiting lists in its tenant selection process, following its application processing procedures, and conducting timely re-examinations.

- The NHA did not adhere to Federal guidelines that require its travel policy to be comparable to local public practice nor did it obtain required approval from HUD and/or the Board of Commissioners to take certain trips outside the jurisdiction of the NHA. As a result, the NHA improperly established and paid a per diem allowance for meals that exceeded the allowance applicable to employees of the City of Newark. Furthermore, the NHA incurred questionable expenses for NHA officials and employees to attend unapproved conventions outside the NHA's jurisdiction. Accordingly, travel costs of \$11,435.49 are considered unsupported pending an eligibility determination by HUD.
- The NHA needs to implement corrective actions in several areas to bring it into compliance with local or HUD requirements or to promote better efficiency and economy in its operations. The areas requiring corrective action pertain to the distribution of payroll checks to maintenance employees, the safeguarding of unused rent receipt forms, the maintenance of personnel files, the preparation of bank reconciliations, the allocation of employee fringe benefit costs, the controls over active housing units, and the maintenance of the financial records of the HFC.

#### Recommendations

We recommend that you ensure corrective actions in each finding are implemented to reduce the vacancy rate, enhance the maintenance operations, correct HQS violations, ensure that HFC funds are properly used, improve adherence with admission procedures, bring the NHA's travel policy into compliance with that of the local government, and bring the NHA into compliance with other applicable local or HUD requirements.

#### Exit Conference

The results of the audit were discussed with representatives of the NHA and your office during the course of the audit

and at an exit conference held on September 8, 1992, attended by:

Representatives of the NHA

Harold Lucas, Executive Director  
Robert Graham, Assistant Executive Director  
Johnson Abraham, Assistant Executive Director  
Donald D. Baker, Director of Finance  
William J. Sirchio, Comptroller  
Rafael Maramba, Staff Member

Representatives of the HUD-Newark Office

Carmen Valenti, Director Public Housing  
John Niesz, Supervisory Management Specialist

Representatives of the Office of Inspector General (OIG)

A. Paul Kane, Regional Inspector General for Audit  
Alexander C. Malloy, Assistant Regional Inspector General  
for Audit  
Eduardo P. Escobar, Senior Auditor  
Joseph F. Vizer, Auditor

During the exit conference, NHA officials provided us with written comments on each finding. A summary of their comments is included in each finding, while the entire comments are included as Appendix B to this report.

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## Abbreviations

ACC	Annual Contributions Contract
ATO	Apartment Turnover
CFR	Code of Federal Regulations
CIAP	Comprehensive Improvement Assistance Program
COP	Comprehensive Occupancy Plan
HFC	Housing Finance Corporation
HQS	Housing Quality Standards

HUD	U.S. Department of Housing and Urban Development
MOA	Memorandum of Agreement
NHA	Newark Housing Authority
OIG	Office of Inspector General
PHA	Public Housing Agency
PM	Preventive Maintenance
RIGA	Regional Inspector General for Audit
TAR	Tenant Accounts Receivable

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# Introduction

The Housing Authority of the City of Newark (NHA) was established in 1938 after the passage of the Federal Housing Act of 1937, to build and manage public housing developments for residents of the City of Newark. At December 31, 1991, the NHA was administering 10,588 public housing units at 32 projects, which have a total of 249 buildings housing approximately 17,000 residents.

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## Governing Body

The NHA is governed by a Board of Commissioners composed of seven members. Robert I. Spruill was elected Chairman of the Board on May 21, 1992, while Harold Lucas replaced Daniel Blue, Jr. as Executive Director on March 16, 1992. The Executive Director, whose office is located at 57 Sussex Avenue, Newark, New Jersey, is responsible for the day-to-day operations of the NHA. The NHA's financial books and records are maintained in its central office, which is also located at 57 Sussex Avenue.

## The Status of the NHA Changed from Financially Troubled to Operationally Troubled

The NHA was designated as a financially troubled PHA in 1979, because its actual operating reserves fell below 20 percent of the authorized maximum operating reserve. However, in 1984, the status changed from financially troubled to operationally troubled because of excessive vacancies, high tenant accounts receivable, and the deterioration of its housing stock.

## An MOA Between HUD and the NHA Was Executed

In July 1988, a Memorandum of Agreement (MOA) between HUD and the NHA was executed which resulted in the establishment of baseline data in key performance areas and annual performance standards. In the MOA for the period ended March 31, 1992, the following activities were to be accomplished:

- reduction of turnaround time on vacant units;
- inspection of 100 percent of all units;
- submission of comprehensive plans for modernization and occupancy; and
- submission of independent public accountant audits.

## NHA Received Operating Subsidies From HUD

Since our last audit for the period ended March 31, 1983, the NHA received operating subsidies from HUD as follows:

<u>Fiscal Year</u>	<u>HUD Operating Subsidies</u>
1984	\$ 33,801,734
1985	36,925,325
1986	36,906,622
1987	36,572,169
1988	28,030,113
1989	30,877,369
1990	27,629,844
1991	35,498,473
1992	<u>43,107,699</u>
Total	<u>\$309,349,348</u>

## Audit Objectives

The primary objectives of the audit were to determine whether the NHA was:

- providing tenants with decent, safe and sanitary units that meet HUD's mandatory minimum HQSs;
- managing its programs and operations effectively, efficiently, and economically; and
- complying with the terms and conditions of its ACC, applicable laws, HUD regulations, and other applicable directives.

## Audit Period

Our audit field work was performed between July 1991 and July 1992, and covered the period from April 1, 1990 to December 31, 1991. However, when appropriate, the review was extended to include other periods.

## Audit Scope

We reviewed the books and records of the NHA, files maintained by HUD, and reports issued by independent public accountants and consultants to the extent considered necessary. We inspected 150 occupied units for compliance with HQSs, as well as 81 unoccupied housing units. Also, we interviewed HUD officials, NHA employees and tenants.

We conducted the audit in accordance with generally accepted government audit standards.

A copy of this audit report was provided to the NHA.

## The Housing Stock Of The NHA Deteriorated As Its Operating Reserve Increased To \$31 Million

The Newark Housing Authority's (NHA) housing stock has deteriorated to the extent that at December 31, 1991, 5,770 or 45 percent of its original 12,904 units were either deprogrammed, demolished, or vacant. This represents an increase of 1,415 units since the issuance of our last audit for the period ended March 31, 1983, in which we reported that 4,355 or 34 percent of the total units were vacant. Our current audit disclosed that the NHA has not been able to resolve its serious long term vacancy problem for active units, which we believe has persisted because the NHA: (a) failed to perform timely unit turnaround; (b) did not have adequate controls over vacant units; and (c) decided, subsequent to the passing of a regulation that requires a one-for-one replacement for every unit demolished, to modify plans to demolish family high rise buildings containing approximately 3,322 units. As a result, only 7,524 units of the NHA's active housing stock of 10,588 units were occupied at December 31, 1991, while 3,064 were vacant. Of the vacant units 1,709 are in buildings that were purposely closed or partially closed several years ago (See Appendix C); however, the NHA in accordance with regulations, continued to receive millions of dollars in operating subsidies for those units. The receipt of the operating subsidies allowed the NHA's operating reserve to reach \$31 million for the Fiscal Year ended March 31, 1992 (See Appendix D). In our opinion, the NHA benefitted financially from its long term serious vacancy problem, as needed units remained unavailable to applicants on its waiting lists.

a) NHA failed to perform timely unit turnaround activities

PHAs to Complete  
Vacant Unit Turnaround  
Within 30 Days

Section 201 of the ACC specifies that the Authority must operate the projects solely for the purpose of providing decent, safe and sanitary dwellings. In connection with accomplishing this objective, Paragraph 5.2c of HUD Handbook 7460.7 REV-1, Field Office Monitoring of Public Housing Agencies (PHAs), requires PHAs to complete vacant unit turnaround on an average of no more than 30 calendar days.

Units Have Been Vacant  
For Several Years

At December 31, 1991, the NHA had approximately 1,079 units in its active housing stock that have been vacant for several years.

Untimely Turnaround of  
Units That Become  
Vacant

These units are concentrated in either completely vacant or partially vacant buildings which have deteriorated to the extent that comprehensive improvements are needed before re-occupancy can occur. Although the NHA continues to receive operating subsidies for these units, they have been considered unrentable pending rehabilitation, which according to the NHA will not be performed until additional funds are obtained.

Pursuant to the NHA's Memorandum of Agreement (MOA) with HUD for the 12 month period ending March 31, 1992, the NHA's performance target for turning around a unit was 30 days for units that became vacant during that 12 month period. The NHA's Quarterly Performance Target Progress report for the period between March and December 1991, showed that the actual turnaround time ranged from 32 days at March 31, 1991, to 109 days at December 31, 1991. Consequently, the NHA did not comply with its MOA with HUD resulting in the untimely turnaround of units that currently become vacant. The NHA cited the lack of Federal funding as the reason for not meeting the targeted turnaround time. However, we noted that the NHA had millions of dollars which could have been used for unit turnaround activities. It appears that the NHA wants to maintain substantial sums of funds in its operating reserve instead of using the funds to defray the cost of properly maintaining and upgrading its housing stock.

b) The NHA did not have adequate controls over vacant units

NHA Did Not Have  
Adequate Controls Over  
Vacant Units

Although the NHA had statistics on the number of vacant units, it did not have information on the condition of the units and amount of work that would be required to prepare the units for occupancy. Furthermore, the NHA did not have necessary controls over vacant units to plan repair work and to promptly turnaround units that only need minimal work.

### Conditions of Vacant Units Were Evaluated

In an effort to evaluate the condition of the NHA's vacant units, we randomly selected and inspected 81 vacant units at 19 projects. The inspections were conducted between December 1991 and February 1992. The purpose of the inspections was to determine whether the units were actually vacant, and to estimate the number of work days it would take to prepare the units for re-occupancy. Our review disclosed that every unit inspected was vacant and that the estimated work days needed to prepare units for occupancy varied, as follows:

<u>Estimated Work Days</u>	<u>Number of Units</u>
Ready for occupancy	5
1-2 days	12
3-5 days	23
6+ days	4
Inconclusive	37*
Total	81

- \* We could not determine the amount of work needed because the units or floors were sealed shut

### Units Ready For Occupancy Were Not Rented

One of the five units ready for occupancy was a 3-bedroom apartment at Seth Boyden Court that had been listed as vacant since July 1991, while another was a 1-bedroom unit at Bradley Court, which was listed as being vacant since September 1991. NHA officials were unable to explain why those units were not rented. Accordingly, the NHA controls over vacant units are not adequate enough to ensure that vacant units ready for occupancy are promptly rented and that those needing only minimal work are turned around expeditiously.

### c) NHA modified its demolition plan

### NHA Had Plans To Demolish Twenty one High Rise Buildings

The NHA's current long term vacancy problem is attributable, in part, to the impact the 1988 amendment to the U.S. Housing Act of 1937 had on the NHA's plans to demolish twenty-one family high rise buildings at three projects. The act



### NHA Modified Plans to Demolish Buildings

restricted the demolition and disposition of existing public housing units, requiring every unit of housing an Agency eliminates from its low-income housing inventory to be replaced.

Subsequent to the passing of the amendment, the NHA determined that its demolition plan could not be accomplished because the quantity of affordable land and the amount of funding required to comply with the one-for-one replacement provision could not be obtained. Consequently, the NHA modified its demolition plan in 1989 by reducing the number of buildings for demolition from twenty-one to eleven, thus eliminating 10 high rise buildings containing approximately 1,458 units from its demolition plan. We noted that although most of these units are located in buildings that are completely vacant and sealed, the NHA has received and will continue to receive millions of dollars in HUD operating subsidies for the units. Unless a unit is deprogrammed at the request of the NHA, regulations allow the NHA to receive operating subsidies even though the unit is vacant.

### NHA Received Over \$17 Million In Subsidies For Units In Closed Buildings At Hayes Homes

For example, we noted that since 1984 the NHA has received over \$17 million in subsidies for several buildings that are closed and sealed at Hayes Homes. A schedule of the operating subsidies received is as follows:

<u>Fiscal Year</u>	<u>No. of Units</u>	<u>Operating Subsidy Received</u>
1985	726	\$ 2,077,463.50
1986	726	2,076,505.20
1987	726	2,234,279.50
1988	726	1,711,559.50
1989	726	1,864,890.70
1990	726	1,825,425.30
1991	726	2,413,572.40
1992	726	<u>2,955,807.30</u>
Total		<u>\$17,159,503.40</u>

**NHA Modified Its  
Demolition Plans To  
Keep Units In Housing  
Stock**

Regarding the NHA's long term vacancy problem at Hayes Homes, we noted that in 1987, the NHA requested permission from HUD to demolish all buildings at Hayes Homes, advising that the buildings suffered from basic design faults which made them inappropriate for households with children, especially large families. The NHA further advised that the buildings were severely deteriorated and unmarketable, and that no reasonable improvements to the buildings would return them to habitable condition. However, subsequent to the passing of the 1988 amendment to the U.S. Housing Act of 1937, which requires a one-for-one replacement of every unit demolished, the NHA modified its demolition plans to demolish over a thousand uninhabitable units, which are now in its active housing stock awaiting rehabilitation before re-occupancy can occur.

**Units Will Remain  
Vacant While NHA  
Receives Operating  
Subsidies For Them**

NHA officials advised us that the vacant buildings will remain vacant until additional modernization funds are received. According to the NHA's Comprehensive Occupancy Plan (COP) these units will remain vacant until at least 1996. Meanwhile, the NHA in accordance with regulations, will continue to receive operating subsidies for these units. During Fiscal Year 1992, the NHA received almost \$7 million for the vacant units in the closed and partially closed buildings. (See Appendix C)

**The NHA Benefitted  
Financially From  
Vacancy Problems**

Because the NHA continued to receive HUD subsidies for thousands of vacant units, the NHA benefitted financially from its serious long term vacancy problem during the past several years (See Appendix E). Consequently, the financial status of the NHA became financially sound as much needed units remained unavailable to applicants on its waiting list.

## Auditee Comments

The NHA indicated that the report seems to fault the NHA for receiving subsidy for dwelling units in closed and partially closed buildings, implying that receiving these subsidies is improper in some way.

Specifically, the comments point out that:

- a. The NHA, in accordance with HUD regulations, properly requested and received subsidy for dwelling units in closed and partially closed buildings in accordance with HUD approved Comprehensive Occupancy Plans.
- b. There are presently no Federal rules or regulations which preclude the receipt of these funds. Accordingly, this finding in its form and substance should be removed.

Additionally, the NHA indicated that " the HUD regulation on when a dwelling unit is considered available for occupancy and eligible for Operating Subsidy is from the date on which the End of the Initial Operating Period (E.I.O.P.) for the project is established until the time it is approved by HUD for deprogramming and is vacated or is approved for non-dwelling use."

The NHA advised that the Inspector General's misrepresentation of the \$31 million in operating reserves should be modified. In this regard, the NHA believed that a true picture of the reserves, which amounted to \$31,635,463 as of March 31, 1992, must take into account a utility adjustment of \$9,310,300, and an appropriation of \$6,575,000 to correct maintenance deficiencies during Fiscal Year 1993.

Officials of the NHA believed that the audit report misrepresents the rationale for the modification of the demolition plans. They comment: "For the record, the NHA modified its demolition plans primarily because the 1988 legislation made it possible for some of the family high-rise projects to be assessed as viable."

Finally, the NHA indicated that Appendix C to the draft contains 368 units in closed buildings for which the NHA is not receiving operating subsidies. The NHA indicated

that it has not received subsidy for Buildings 3, 4 and 5 of Kretchmer Homes for over five years. (See Appendix B)

## OIG Evaluation of Auditee Comments

Based on the comments received at the exit conference, we modified our draft finding to indicate that the NHA's receipt of operating subsidies for vacant units in closed or partially closed buildings was obtained in accordance with Federal regulations. However, as implied in the finding, it is questionable whether the NHA should continue to receive operating subsidies for vacant units that the NHA declared uninhabitable several years ago.

Regarding the comments that our audit report misrepresented the rationale for the modification of its plans to demolish numerous high rise buildings, we want to point out that the reasons stated in the finding, which were the lack of land and funding to comply with the one-for-one unit replacement provision of the 1988 amendment to the U.S. Housing Act of 1937, were provided by members of the prior administration and are also stated on Page 11 of the Introduction Section of the NHA's Comprehensive Plan for Modernization that was submitted to HUD on June 28, 1991.

The implication that the auditors misrepresented the \$31 million in operating reserves is questionable since the amount was taken from the financial statements that the NHA submitted to HUD for the period ended March 31, 1992. Regarding the utility adjustment of \$9,310,300 that the NHA contends should be taken into account when analyzing its operating reserve level, we were informed by HUD officials in the Newark Office that utility adjustments are usually deducted from subsequent operating subsidies and are not taken from operating reserves. As recommended, we support the NHA's decision to use funds from its operating reserves to further maintenance activities.

Subsequent to the receipt of the comments, we modified the information on Appendix C to only show vacant units in closed or partially closed buildings that the NHA is currently receiving operating subsidies to maintain.

## Recommendations

We recommend that you instruct the NHA to:

- 1A. Staff its unit turnaround team at a level that will reduce the current number of vacant units to those that become vacant within a 30 day period; and maintain the team at a level that will ensure that units are turned around within 30 days from the date they become vacant.
- 1B. Use funds from the operating reserve to defray the cost of unit turnaround until all vacant units that are not awaiting substantial rehabilitation are repaired and occupied.
- 1C. Develop and implement all controls needed to determine the amount of work required to prepare each vacant unit for occupancy, which should include procedures to promptly turnaround units that only need minimal repairs.

Regarding the NHA receipt of subsidy for vacant units, we recommend that you:

- 1D. Request the NHA to temporarily deprogram the units until funds are provided to rehabilitate them, thereby suspending operating subsidies until the units are made available for re-occupancy.

If the NHA does not comply with the request, then we recommend that you:

- 1E. Consider initiating procedures for a HUD takeover of all closed or partially closed buildings deemed inappropriate for public housing.

## The Maintenance Operations Of The NHA Continue To Be Ineffective

The maintenance operations of the NHA continue to be ineffective because of management's failure to implement and/or maintain all necessary and required components of a sound and effective maintenance program. Specifically, the NHA's maintenance operations lack: (a) adequate management oversight; (b) uniform maintenance standards and procedures; (c) an effective management information system for tracking work orders and employee productivity; and (d) a comprehensive preventive maintenance program. As a result, the NHA's housing stock has deteriorated to the extent that between 94.9 and 99.4 percent of occupied units do not meet HUD's HQSs as discussed in Finding 3. In this regard, substantial funding over and above normal operating subsidies will be required to upgrade the NHA's housing stock. In fact, according to the NHA's Comprehensive Plan for Modernization, it will cost an estimated \$433 million to completely rehabilitate and overhaul its housing stock as a result of deterioration or obsolescence.

### Criteria

The National Housing Act of 1937, as amended, requires each Authority to establish sound management practices in the operation of its projects, including the formulation and implementation of satisfactory project maintenance standards. As part of this program, each Authority should analyze its maintenance operation and staffing requirements to insure that its operations are both effective and economical through periodic inspections of physical structures and equipment and the establishment of historical records such as work orders and inventory control systems.

### a) Management oversight continues to be inadequate

### Maintenance Operations Were Neither Effective Nor Economical

Our review of the NHA's maintenance operations which consisted of: (1) interviews with NHA officials; (2) reviews of completed work orders and management reports; (3) evaluations of systems for controlling maintenance operations; and (4) physical inspections of the projects and units, disclosed that the NHA's current maintenance operations were considered neither effective nor economical. This is supported by the fact

that the NHA's housing stock has numerous HQS violations although the NHA spent over \$211 million in Federal funds on its maintenance program since our prior audit. Although NHA management has been aware of the deficiencies in its maintenance operations for many years, as evidenced by our last audit for the period ended March 31, 1983, it has not exercised sufficient initiative in implementing corrective measures, e.g., an effective work order tracking system, uniform inventory controls at the project, and a preventive maintenance program.

The NHA Has More Staff Than The National Average For Large PHAs

NHA officials contend that a shortage of funding and staffing has prevented the NHA from correcting many of the known operating deficiencies. However, our review disclosed that the NHA has more staff than the national average for large PHAs and an operating reserve of more than \$31 million. Furthermore, according to HUD guidelines on staffing, the NHA's administrative and maintenance staffs greatly exceed the average ratios of employees to units.

The NHA Exceeds the National Average by 348 Employees

HUD Handbook 7460.7 Rev-1, Paragraph 2-3d, Field Office Monitoring of Public Housing Agencies (PHAs) provides that average ratios of employees to units for large PHAs should be 1.65 for administrative staff and 1:40 for maintenance staff. Based on this ratio, at December 31, 1991, the NHA exceeded the national average by 136 administrative and 212 maintenance staff members for a total of 348 employees.

NHA Has An Operating Reserve of \$31 Million

Regarding its operating reserve level, we found that the NHA's operating reserve ranged from \$22 to \$31 million during the past nine years (See Appendix D). We believe that NHA's operating reserve has remained over the 90 percent level because the NHA received over \$124 million in subsidies for units which have been vacant for several years (See Appendix E). It should be noted that the NHA incurs very little operating expenses to maintain the units inasmuch as most of them are in high-rise buildings which are completely vacant, as discussed in Finding 1.

### Management Failed to Comply With HUD Directives

In addition to being required by the National Housing Act, as previously discussed, the NHA has been advised by consultants and directed on numerous occasions by HUD to implement and maintain adequate management information controls over its maintenance operations. Because management failed to comply with those directives, the NHA's ineffective maintenance operations continued while the housing stock deteriorated. Specifically, we found that management failed to develop and implement a maintenance program which at a minimum provided for uniform maintenance procedures and standards, a work order tracking system, an effective comprehensive preventive maintenance program and proper monitoring to detect and correct operating problems and deficiencies. Thus, management oversight of its maintenance operations has been inadequate.

#### b) Uniform maintenance standards and procedures were not developed

### Uniform Maintenance Standards Were Not Developed For All Maintenance Activities

From discussions with members of the maintenance staff and reviews of project operations, we found that all areas of maintenance did not have uniform written maintenance standards or procedures. For example, repairmen at the projects are required to prepare daily logs. The information on the logs is used by supervisors to evaluate the productivity of those employees since repairmen must show the type of repairs, addresses, and time spent on each repair. However, repairmen who worked on the Apartment Turnover (ATO) teams were not required to prepare daily logs. Furthermore, formal records showing the amount of labor and materials spent on each of the 1,987 units repaired by the ATO teams during 1991 were not kept.

### Uniform Maintenance Standards Are Needed For Activities

Additionally, some projects keep inventory control records on materials and supplies used at the projects, while other projects do not keep any records. The need for written uniform maintenance standards and procedures for all maintenance activities was recommended in our prior audit report for the period ended March 31, 1983. If the NHA had implemented the recommendation, its management over maintenance



resources would have been greatly enhanced, which in our opinion, would have aided in ensuring that materials and supplies were properly used for project repairs and that maintenance employees were productive.

c) Ineffective management information system

Application Deficiencies  
Impeded Work Order  
Tracking Systems For  
Accomplishing Objectives

Although recommended in our prior audit report, the NHA did not properly maintain its computerized management information system for tracking work orders and maintenance employees time. As designed, the system required the preparation of a work order for maintenance activities showing detailed information on who, what, and where maintenance activities were performed. However, an evaluation of the system disclosed various application deficiencies that impeded the system from accomplishing its designed objectives. They were as follows:

- All maintenance personnel time was not tracked in the management information system by work order. For example, building maintenance workers and supervisors time were not generally tracked in this or any system.
- Numerous prepared work orders were incomplete and inaccurate indicating either a need for training or carelessness on the part of the preparer.
- There is no method to account for all work orders. This indicates that the NHA does not know how many work orders should have been completed.

Accurate and Complete  
Data Not Available to  
Management

In addition to the above, information on numerous work orders was not inputted into the management information system. This precluded top management officials from having accurate and completed data on its maintenance operation resources for management decision making purposes. Consequently, over the past ten years management has not been able to implement

and maintain a management information system to adequately account for its maintenance resources.

**\$13 Million of  
Maintenance Labor and  
Materials Unaccounted  
For In Tracking System**

During our review, we compared the financial information on the management information work order tracking system for labor and materials to actual maintenance costs and found that \$13 million were unaccounted for in the system for calendar year ended December 31, 1991. Based on our evaluation of the capabilities of the Management Information Work Order Tracking System, we believe that the system was capable of providing management with an adequate accountability of the maintenance operation resources if the system had been properly designed and maintained. However, it did not accomplish this objective because features needed to track all maintenance employees time, including administrative time, were not designed and according to NHA officials employees who were responsible for preparing input data needed training.

**Instead of Making The  
Tracking System  
Workable, Modifications  
Are Being Made**

Additionally, we found a lack of management oversight as well as indications that the section responsible for maintaining the system consisting of the supervisor and three staff members was understaffed. Instead of making the tracking system workable, the NHA hired a consultant to modify it at a cost of approximately \$254,775. Based on the results of past reviews, we believe that the same deficiencies will occur under a new system if management oversight is not adequate enough to ensure that training is provided to all applicable personnel and if monitoring is not performed to promptly detect and correct problems and system deficiencies.

**Site Inspections Showed  
The Massive  
Deterioration of The  
Housing Stock (See  
Appendix C)**

Over the past ten years the lack of accountability for maintenance employees time and productivity has precluded management from having effective methods of monitoring and controlling maintenance operations. As such, management lacked evidential assurance that maintenance personnel were effectively and fully utilized. We believe that the current condition of the NHA's projects is sufficient evidence of the inadequacies of its prior and current maintenance programs. In fact, our site inspections showed the massive deterioration of the housing stock (See

Appendix C). In our opinion, if greater accountability is not established, the projects may continue to deteriorate with subsequent loss of units. Furthermore, NHA's deteriorated housing stock will result in additional cost to HUD in order to renovate uninhabitable housing units.

d) A comprehensive preventive maintenance (PM) program was never implemented

Lack of PM Program  
Contributed to  
Deterioration of Housing  
Stock

Although specifically recommended in our prior audit report, the NHA did not implement a comprehensive PM program to provide for the identification of potential and existing problems requiring corrective action. As a result, numerous maintenance deficiencies persisted which apparently caused massive physical deterioration of the NHA's housing stock. Additionally, the NHA's failure to implement a comprehensive PM program attributed to its housing stock failure to meet HUD's HQSs, as discussed in Finding 3. NHA officials advised that the PM program was not implemented because of insufficient staffing and funding. However, it is our opinion that the NHA did not devote sufficient time and effort to implementing a PM program since the NHA has an operating reserve of over \$31 million.

Criteria

HUD Handbook 7460.7 REV-1, Paragraphs 5-1 and 5-2 provide for an effective PM program at each Authority to reduce long range operating costs and to lessen the need for major restoration and improvements. Also, the Handbook emphasizes the need for periodic physical inspections of structures, grounds, equipment and dwelling units to identify potential and existing problem areas requiring corrective action.

The NHA Does Not  
Have A Program For  
Regularly Scheduled  
Inspections

Contrary to the above, the NHA does not have a program requiring regularly scheduled inspections of its dwelling units. In this regard, interviews with project superintendents at six projects disclosed that annual inspections were conducted at only two of those projects. Presently, the NHA has an inspection team conducting unit inspections to meet a requirement in its MOA with HUD. During calendar year 1991, the team

had completed inspections of 68 percent of the NHA's occupied units. Although the NHA plans to inspect the remaining 32 percent during calendar year 1992 we would not consider this one time inspection project a substitute for a regularly scheduled inspection program each year.

Availability of Funds  
Should Not Have  
Inhibited The  
Implementation Of A PM  
Program

As stated in our prior audit report, the availability of funds should not have inhibited the implementation of a PM program. We stressed then and now that in an era of tight money, the NHA can not be certain of the availability of funds for replacement of units; therefore, it must ensure that the existing housing stock is properly cared for in order to obtain the maximum useful life of its housing units.

A Good PM Program  
Will Reduce Long-Term  
Maintenance Costs

Therefore, it is still our position that it is extremely important to forestall breakdowns and maintenance deficiencies by conducting regular inspections and that once problems are identified, to quickly repair them before they adversely affect adjacent portions of the structures. We believe this is extremely important in order to minimize the need for more costly repairs later. A good PM program will reduce long-term maintenance costs, minimize HQS violations and result in well-maintained projects that are more acceptable to tenants and the surrounding community.

The NHA Failed To  
Implement The Prior  
Audit Recommendations

We made appropriate recommendations in our prior audit report for the period ended March 31, 1983 that would have, if implemented, corrected many of the deficiencies in the NHA's maintenance operations. For example, we recommended the implementation of a management information system for tracking work orders and employee productivity, the development of a comprehensive PM program to plan and perform routine maintenance, and the development of uniform maintenance standards and procedures. Our current audit disclosed that although the NHA promised the HUD-Newark Office that the recommendations would be accomplished, corrective actions needed to implement the recommendations were not instituted. We attribute the NHA's failure to implement the prior audit recommendations to inadequate management oversight as discussed in the finding.

Auditee Comments

The NHA accepts the recommendations in part, and points out that the current administration has implemented a course of action to address the deficiencies in the maintenance operations (See Appendix B).

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Recommendations

We recommend that you comply with either recommendation numbers 2A or 2B

- 2A. Engage an outside maintenance firm to oversee the NHA's entire maintenance operation.

If the NHA is allowed to continue to oversee its own maintenance staff, we recommend that your office instruct the NHA to implement the following recommendations:

- 2B. The NHA should be instructed to develop management oversight review procedures to continuously evaluate the effectiveness of its maintenance staff. This would include, but not be limited to:
- Ensuring that daily activity reports are prepared by maintenance supervisors and evaluated by management;
  - developing and implementing uniform maintenance standards for all maintenance activities;
  - monitoring its management information work order system to ensure that the system is properly maintained and contains accurate and complete information on the productivity of its maintenance staff; and
  - developing and implementing uniform inventory controls at each project to account for and ensure equipment and materials are used for project related purpose.

In addition to the above, we recommend that you:

- 2C. Require the NHA to develop and implement a preventive maintenance program within six months from the issuance of this report to curtail further deterioration of its housing stock.
- 2D. Monitor the maintenance activities on a quarterly basis to verify that the above recommendations are implemented.

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## Ninety-Eight Percent of Occupied Units Inspected Failed Housing Quality Standards

The NHA spent over \$211,000,000 in Federal funds since 1984 to upgrade and maintain its housing stock. However, our physical inspections disclosed that between 94.9 and 99.4 percent of occupied units would fail the HUD mandatory minimum Housing Quality Standards (HQSs) required in HUD Handbook 7460.7 Rev-1. Consequently, Federal funds expended by the NHA did not ensure that its tenants are living in units that are decent, safe, and sanitary. Although NHA officials said that the lack of funding for all necessary repairs is the reason for the extremely high failure rate, we believe that an ineffective maintenance program allowed the HQS violations to occur and/or exist. Moreover, we found that NHA officials were unaware of the numerous HQS violations until recent inspections by its staff resulted in a HQSs failure rate of approximately 92 percent. In addition, we found that because the NHA failed to perform prior annual inspections of all units, it did not have a per unit list of repairs needed to correct HQSs violations. Accordingly, many tenants resided in units that were not free of HQSs violations.

### PHA's Are Required To Inspect All Units Annually

HUD Handbook 7460.7 Rev-1, Field Office Monitoring of Public Housing Agencies (PHAs), Chapter 5, Paragraph 5-2a, provides that PHAs must inspect all units and projects at least annually, and is maintaining the projects pursuant to the Section 8 Housing Quality Standards, in addition to meeting local code requirements.

### PHA Did Not Perform Annual Inspections of All Its Units

Contrary to the above, the NHA did not perform the annual inspections of all units and until recently was unaware of the extremely high percentage of units that would not meet Section 8 HQSs. HUD's mandatory minimum HQSs are those standards relating to living conditions that pertain to tenants health and safety, which include, but are not limited to hot and cold running water, sanitary facilities in proper operating condition (bathrooms and kitchens), proper illumination, painted surfaces, etc. The livability of housing units is adversely affected when they do not meet HQSs; therefore, the tenants occupying those units may not be occupying decent, safe, and sanitary housing.

### Between 94.9% and 99.4% of Occupied Units Did Not Meet HQSs

We inspected 150 occupied units at 28 projects. The units inspected were statistically selected from a universe of 7,618 occupied units as of June 30, 1991. The results of our inspections disclosed that 147 of the 150 units inspected



(see Appendix F for housing type) failed minimum HQSs. Inasmuch as the inspected units were selected on the basis of a statistical sample, we were able to project the results over the universe. Accordingly, we concluded, with a 90 percent degree of certainty and using an error rate of (+) or (-) four percent, that between 7,230 (94.9%) and 7,572 (99.4%) of occupied units at the NHA would have failed HQSs at June 30, 1991.

Our inspections disclosed violations in various categories as shown below:

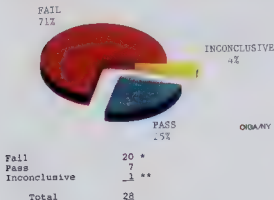


Number of Violations Per Unit	Number of Units With Violations	Elderly High Rise	Family		Townhouse
			High Rise	Low Rise	
1	51	19	10	20	2
2	51	22	8	20	1
3	20	5	3	10	2
4	17	1	7	9	0
5	6	1	4	1	0
6	2	0	2	0	0
7 or More	0	0	0	0	0
<b>Totals</b>	<b>147</b>	<b>48</b>	<b>34</b>	<b>60</b>	<b>5</b>

Although the known causes of most of the violations can be attributed, in part, to normal wear and tear, (see Appendix G) we believe that the violations may have been prevented or were allowed to persist because the NHA failed to implement a comprehensive preventive maintenance program requiring annual inspections of all units and routine maintenance as discussed in Finding 2.

#### 20 of The 28 Projects Inspected Failed HQSs

In addition to HQSs for units, there are HQSs that pertain to a project's site, including common areas and the exterior components of a project. The results of our site inspections of the 28 projects selected are as follows:



\* The reasons for the failure are provided in Appendix H to this report.

\*\* Large scale site work in process at time of inspection.

If a Buildings Exterior  
Fails All Units Within  
Fail

The HQSs require that the building exterior meet specific standards. For the 147 units that failed our inspections, 12 would have passed if their respective project site or exterior would have passed. Therefore, we determined that if the project sites were not considered, 135 or 90 percent of the 150 units inspected still would have failed HQSs. During our review, we noted that inspections were being conducted by the NHA's own staff and that inspected units were failing at a rate of approximately 92 percent. However, their inspections do not include common areas and the exterior components of the buildings.

Rehabilitated Units Failed  
HQSs

In addition to the above, we found that between November 1989 and October 1991, NHA's Apartment Turnover (ATO) teams rehabilitated 1,987 units using over \$8 million of special Comprehensive Improvement Assistance Program (CIAP) funds provided by HUD as part of a court settlement between the NHA/HUD and the Newark Coalition for Low-Income Housing. The court settlement provided that the PHA rehabilitate units that require less than \$3,000 of repairs, and that the repairs be in accordance with HUD's HQSs.

CIAP Cost of  
\$8,044,158.15 is  
Considered Unsupported

Our review disclosed that the ATO teams did not prepare inspection reports nor cost analyses to support the costs of its rehabilitation activities. As a result, we were unable to determine the extent, if any, that HQSs were considered in the planning and performing of rehabilitation activities by the ATO teams. However, based on the results of our inspections, the degree of consideration given, if any, was not enough to ensure that units and buildings would meet HQSs after the rehabilitation work was performed. Furthermore, we were unable to determine if the per unit rehabilitation costs were within the required \$3,000 limit. Since the NHA was unable to provide documentation showing that rehabilitated units met required HQSs, we consider costs totalling \$8,044,158.15, charged to the CIAP program for ATO activities, as unsupported pending the completion of repairs necessary to eliminate all HQSs violations in each unit turned around using CIAP funds.

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**Auditee Comments**

The NHA indicated that the finding's heading is misleading because it gives the impression that units are substandard and even uninhabitable. The NHA points out that most of the units had at most two violations, most of which were due to wear and tear. Also, the NHA indicated that we do not make reference in our report to an inspection by the HUD Area Office on recently renovated units which were in compliance with HQS standards. (See Appendix B)

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**OIG Evaluation of  
Auditee Comments**

The title of our finding is intended to merely disclose the results of the inspections we performed to determine whether units meet HQSs. It should be noted that HUD requirements pertaining to HQSs do not make a distinction between minor or major HQS violations. We did not evaluate the inspections performed by members of the HUD-Newark Office staff; therefore, no reference was made to the results of the inspection.

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**Recommendations**

We recommend that you:

- 3A. Ensure that the NHA completes its inspections of all units and that the results of the inspections are used in the development and implementation of a PM program as recommended in Finding 2.
- 3B. Instruct the NHA to correct all HQSs violations within a year from the issuance date of this report.
- 3C. Consider modernization costs of \$8,044,158.15 unsupported until the NHA provides evidence that the units turned around with funds from the CIAP meet HQSs. Repairs required to eliminate HQSs violations from those units should be paid with funds from the operating reserve.

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## The HFC Did Not Use Excess Compensation To Fund Debt Service Reserves

The Housing Finance Corporation (HFC) of the City of Newark, a nonprofit corporation and instrumentality of the NHA, violated HUD regulations by not funding debt service reserves with excess compensation it received in conjunction with facilitating tax exempt financing for sponsors of HUD insured multifamily projects having Section 8 Housing Assistance Payment contracts. Our review disclosed that at December 31, 1991, the HFC had net income of \$921,980.72 consisting of \$423,091.91 in excess compensation and \$498,888.81 in investment income. The excess compensation represents the difference between total compensation received since inception (1978) of \$861,158.91 and total operating expenses of \$438,067.00. An analysis of the expenses disclosed that only \$58,883.60 of the costs appears to pertain to HFC activities, while the remaining \$379,183.40 represent payments for legal and consultant services that were not related to carrying out tax exempt financing activities. In our opinion, the HFC's noncompliance with HUD regulations occurred because trustees of the HFC and employees of the NHA believed that the NHA was entitled to benefit from HFC's excess compensation and that HUD had no jurisdiction over the operation of the HFC. As a result, excess compensation of the HFC that should have been used to fund debt service reserves of projects, was improperly used. Since the legal and consultant services were unrelated to HFC activities, we question whether these costs totalling \$379,183.40 can be charged to the HFC. Accordingly, we consider those costs unsupported pending an eligibility determination by HUD.

### Criteria Prohibiting The Receipt of Excess Compensation

Title 24, Code of Federal Regulations, Part 811 provides the legal requirements and constraints for PHAs that participate in arranging tax exempt financing for Section 8 new construction or substantial rehabilitation. Part 811 limits the activities of PHAs and their instrumentalities to carrying out Section 8 projects and provides that they shall not receive any compensation in connection with the financing of a project except for its expenses, and that these expenses are subject to approval by HUD.

### Criteria Pertaining to Compensation in Excess of Expenses

Additionally, Part 811 provides that should the PHA or its instrumentality receive any compensation in excess of its expenses, the excess is to be placed in the debt service reserve. The debt service reserve and its investment income are only available for the purpose of paying principle or interest on the obligations and upon full payment of the obligations any funds remaining in the debt service reserve are to be remitted to HUD.

# HFC Received Compensation in Excess of Expenses

Contrary to the above, we found that the HFC received compensation in excess of expenses in connection with facilitating the financing for various Section 8 projects. Based on a review of the financial records of the HFC, we determined that from its inception through December 31, 1991, the HFC had the following income and expenses:

	<u>Recorded</u>	<u>Not Recorded</u>	<u>Total</u>
Management Services Income	\$794,667.91	\$66,491.00	\$861,158.91
Less: Total Expenses	(438,067.00)	-0-	(438,067.00)
Excess Compensation	356,600.91	66,491.00	423,091.91
Investment Income	<u>439,579.32</u>	<u>52,309.49</u>	<u>498,888.81</u>
Net Income	<u>\$796,180.23</u>	<u>\$125,800.49</u>	<u>\$921,980.72</u>

# Income Was Not Recorded by The HFC

The unrecorded income pertains to Fairview Homes, a project that the HFC assisted in obtaining financing. Both the management service income and subsequent investment income was not recorded in the HFC's financial records. Instead, the NHA combined the management service income with other investments in repurchase agreements and later transferred the proceeds to its conventional program's revolving fund. Consequently, the NHA owes the HFC over \$125,800.49.

# Legal Service Fees of \$189,687.97 Considered Unsupported

A review of the HFC's expenses disclosed that they contained fees for legal services that were not related to obtaining financing for the Section 8 projects. Therefore, we question the manner in which the HFC used excess compensation derived from facilitating financing for Section 8 projects. Specifically, our review disclosed that at December 31, 1991, the HFC had paid costs of \$189,687.97 for legal services that were unrelated to HFC activities as follows:

1984	Contesting the audit performed by the Office of Inspector General	\$15,968.57
1985	Representing NHA before HUD concerning development of low rise units	3,812.70
1984-85	Paying Council of Large Housing Authorities for handling the lawsuit against HUD over the recapture of various types of income	15,500.00
1986	Obtaining legal services in connection with a Federal subpoena of the NHA	4,575.00
1986	Obtaining legal services to conduct an immigration audit	11,213.54
1990-91	Engaging counsel for the litigation involving civil matters arising out of the construction of the Scudder Homes town houses, Project NJ2-38	92,729.18
1990-91	Engaging counsel for the litigation involving personnel matters arising out of construction of Scudder Homes town houses, Project NJ2-38	37,095.98
1986	Paying for unspecific legal services	<u>8,793.00</u>
Total		<u>\$189,687.97</u>

The above costs are questionable since they do not relate to activities of the HFC; and therefore are considered unsupported pending an eligibility determination by HUD.

Consultant Service Costs  
of \$189,495.43  
Considered Unsupported

In addition to the above, the HFC reimbursed the NHA \$189,495.43, for consultant services costs that had been paid by the NHA. A discussion with the consultant disclosed that services rendered benefitted housing programs other than the HFC. According to the contract with the HFC, the consultant was to serve as a special assistant to HFC's President who was also the prior Executive Director of the NHA. The consultant told us that the actual services rendered were not related to HFC activities, and that services rendered included preparing applications and plans for the modernization program, determining the number of units in the NHA's buildings, and performing work in relation to the NHA's internal controls. Since the activities of the consultant were unrelated to HFC's activities, we question the eligibility of the consultant service costs of \$189,495.43, and accordingly consider the costs unsupported pending an eligibility determination by HUD.



NHA Employees  
Believed The NHA Was  
Entitled To HFC's  
Excess Compensation

Discussions with NHA employees disclosed that the costs of \$379,183.40, which we are considering unsupported, were paid with HFC's excess compensation because officials of the NHA believed that the NHA was entitled to benefit from HFC's excess compensation. Their belief is supported by a legal opinion issued by the NHA's former General Counsel on May 16, 1990, to officials of the HFC and the NHA, that discusses in part, the disposition of excess revenue of the HFC. The opinion stated "As the sole owner of the HFC, the Authority is entitled to the benefits of all its surplus revenues."

HUD Newark Office  
Chief Counsel Disagreed  
With NHA's Legal  
Opinion

The Chief Counsel of the HUD-Newark Office disagreed with the above opinion and indicated that the HFC was bound by the provisions of Title 24, Code of Federal Regulations, Part 811.

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#### Auditee Comments

Officials of the NHA disagree with our finding. The comments from the NHA include a legal opinion that was prepared by the General Counsel of the NHA indicating that the HFC was organized under New Jersey Law and the expenditures were proper. (See Appendix B)

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#### OIG Evaluation of Auditee Comments

Based on the comments received, the resolution of the issues discussed in the finding will require a legal interpretation of applicable regulations governing the activities of the HFC. Accordingly, we recommend that the HUD-Newark Office provide the NHA with an opinion specifying the regulations governing the activities of the HFC.

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#### Recommendations

We recommend that you:

- 4A. Obtain and provide the NHA with a legal opinion that specifies the regulations governing the activities of the HFC.

Since we currently believe that the governing regulation are those cited in the finding, we recommend that you:

- 4B. Instruct the NHA to provide your office with a complete source and disposition of funds analysis of the HFC since inception.
- 4C. Determine the eligibility of the unsupported costs of \$379,183.40. All ineligible costs should be disallowed and repaid with non-Federal funds.
- 4D. Require the NHA to adhere to Federal regulations pertaining to the receipt and use of excess compensation.
- 4E. Instruct the NHA to ensure that all funds belonging to the HFC are properly recorded in its financial records.
- 4F. Instruct the NHA to reimburse the HFC the amount of funds transferred to other programs.

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## The NHA Is Not Adhering To Established Admission Procedures

The NHA did not follow its own admission procedures and/or HUD requirements pertaining to: a) maintaining and using waiting lists in its tenant selection process; b) following its application processing procedures; and c) conducting timely re-examinations. As a result, potential tenants on waiting lists may have been unjustly denied available apartments, while appropriate adjustments to the rents of tenants in occupancy were delayed due to untimely re-examinations. These deficiencies occurred because the NHA failed to follow required and established admissions and tenant re-examination procedures.

### a) Waiting lists were not properly maintained

#### Criteria For Maintaining Waiting Lists

HUD Handbook 7465.1 Rev-2, The Public Housing Occupancy Handbook : Admission, Chapter 2-3 instructs PHAs to develop procedures to identify those applicants who would no longer qualify or are no longer interested in being admitted to public housing. Section (2)(c) explains that PHAs can accomplish these objectives through updating the waiting lists to remove the names of those who are no longer interested or no longer qualify.

#### Waiting Lists Are Not Accurate

Our review of the files of twenty tenants disclosed that the names of seven of those tenants are still listed as active on a waiting list. Since the names of those tenants should have been removed, waiting lists apparently do not project an accurate picture of the number of applicants waiting for housing. We were informed by NHA officials that the reason for this deficiency is a lack of computer software to remove an applicant's name from the waiting list once the applicant becomes a tenant. However, we attribute the cause of the deficiency to a lack of procedures to insure waiting lists are updated on a regularly scheduled basis.

HUD Handbook 7465.1 Rev-2, Chapter 5-7 provides that in filling an actual vacancy or

Criteria For Selecting  
Applicants From Waiting  
List

expected vacancy a PHA must offer the dwelling to applicants in sequence order in regards to priority, based on selection preferences and date and time of applications.

Our review disclosed that the names of eight out of twenty tenant files reviewed may not have been on the waiting list inasmuch as their names could not be traced back to a waiting list. Consequently, certain tenants may have been given unjustified preference in obtaining a housing unit in the NHA. The current and former Chief of Tenant Selection were unable to explain this disclosure.

Criteria For Maintaining  
Tenants' Applications

b) Applications are not being maintained

HUD Handbook 7465.1 Rev-2, and the NHA's Admissions, Occupancy and Rental Policy, provide that the tenant's application constitutes the basic record of each family applying for admissions and that the application must be completed and kept on file.

Tenant Files Do Not  
Contain All Required  
Documentation

Contrary to the above requirement, our review disclosed that two of the twenty tenant files reviewed did not contain an application while three did not contain sufficient documentation evidencing that the applicant's income was adequately verified. As a result, the NHA is not in possession of valuable information such as family size, verified household income or other specific information that was required to determine the eligibility of the tenants, the amount of tenants' rent, and the appropriate unit size for the tenants.

NHA Lacks Adequate  
Control Over Documents  
Pertaining to Tenant  
Occupancy

Regarding tenant files, we were informed by NHA officials that once an application is processed, the Tenant Selection Office forwards all documents to the project site and that it is the responsibility of project managers to maintain those files. However, the former Chief of Tenant Selection was unable to provide any evidence indicating that the project managers were provided all documents after a tenant was selected or that the project manager was

assigned the responsibility for maintaining all documents on a tenant.

We believe this deficiency occurred because the NHA lacks adequate controls over documents that are to be kept in tenants' files.

c) Tenant re-examinations are not conducted timely

Criteria For Re-  
Examination

24 CFR, Part 960.209 provides that the PHA must re-examine the income and composition of all tenant families at least once every 12 months... upon verification of the information, the PHA must take appropriate steps to make adjustments in the total tenant payment and tenant rent. In addition, 24 CFR, Part 990.115, provides that PHAs must be in compliance with annual re-examination requirements to be eligible to receive full operating subsidy payments.

825 Tenants Had Not  
Been Re-Examined at  
December 10, 1991

Our review disclosed that at December 10, 1991, 825 tenants were listed on the NHA's report entitled "Tenants Not Re-Examined in 1991" as not being re-examined in accordance with HUD requirements. As a consequence, delayed adjustments to tenants' rents could have resulted in a possible loss of income to the NHA. In addition, unit sizes may have been inappropriate because of a change in the tenants' family composition, or the tenant may no longer be eligible for low-rent housing. Furthermore, HUD could deny full subsidy payment if re-examinations are not performed timely. We were told by five project managers that delayed re-examinations occurred because of inadequate staffing and difficulties in attaining tenant participation. Furthermore, NHA officials advised us that recently hired project managers need training in the area of re-examinations.

Auditee Comments

The NHA indicated that some of our recommendations are being implemented. (See Appendix B)

Recommendations

We recommend that you instruct the NHA to:

- 5A. Prepare up-to-date waiting lists on a regular basis as required by HUD Handbook 7465.1 REV-2.
- 5B. Select applicants for vacant units from waiting lists, as required by HUD Handbook 7465.1, Rev-2, Chapter 5.
- 5C. Establish procedures to assure that applications for housing are completed and kept on file as required by HUD Handbook 7465.1, Rev-2, Chapter 2.
- 5D. Evaluate the current staffing level involved in conducting re-examinations to provide assurance that re-examinations are conducted annually in accordance to 24 CFR, Part 960.209.
- 5E. Provide all necessary training to Project Managers.

We further recommend that you consider:

- 5F. Adjusting operating subsidy payments in accordance with 24 CFR, Part 990.115 if the NHA continues to delay re-examinations.

## The Travel Policy of the NHA is Not Comparable With Local Public Practice

The NHA did not adhere to Federal guidelines that require its travel policy to be comparable to local public practice. Additionally, we found instances where trips outside the NHA's jurisdiction were not approved by HUD or the Board of Commissioners. As a result, the NHA improperly established and paid per diem allowances for meals that exceeded those applicable to the City of Newark, and incurred questionable expenses for NHA officials and employees to attend unapproved conventions outside the NHA's jurisdiction. Consequently, we consider travel costs of \$11,435.49 unsupported pending an eligibility determination by HUD. These deficiencies occurred because NHA officials were not aware of the local policy and believed that the unapproved trips were beneficial to the NHA staff.

- a) Per diem allowances for meals not established in accordance with HUD requirements

Local Agency Travel  
Policy Shall be  
Comparable with Local  
Public Practice

HUD Handbook 7401.7, The Public Housing Agency (PHA) Personnel Policies Handbook, provides in Paragraph 5-19 that the local agency shall establish a travel policy comparable with pertinent local public practice and shall cover only travel costs which are necessary to enable the local agency to operate its program economically and efficiently.

NHA's Travel Policy  
Became Effective April  
1, 1991

Instead of adhering to the above requirement, the NHA adopted a travel policy which allowed for reimbursement of actual hotel costs and an allowance of \$60 per day for meals while on NHA business. The allowances were based on an average per diem amount allowed by six housing authorities in New Jersey, and were approved by the Board of Commissioners on March 21, 1991, with the passing of Resolution No. 91-3-7 which became effective April 1, 1991.



**NHA Failed to Establish Travel Policy in Accordance With The Local Government**

Our review disclosed that the local government, which is the City of Newark, follows Federal travel requirements; therefore, according to HUD's requirements, the NHA should have used the travel policy applicable to Federal employees. The Federal travel policy allows a maximum of \$34 for meals and actual hotel expenses up to a maximum amount for specific geographical locations. Because the NHA failed to establish its travel policy in accordance with the policy of the City of Newark, excessive travel costs pertaining to per diem allowances for meals were incurred. From the date (April 1, 1991) the NHA's travel policy became effective, to December 31, 1991, we computed the difference between the actual per diem charges for meals and the allowed Federal maximum of \$34 for all travel activities. The difference totalled \$3,677, which we consider excessive travel costs and therefore unsupported.

**Out of Town Travel Must be Approved by The Board**

**b) Travel costs not approved by HUD or the Board of Commissioners**

HUD Handbook 7401.7, Paragraph 5 23 provides that out of town travel costs and per diem allowances for attendance of the local agency staff at workshop meetings or seminars are allowable when authorized by official Board action and approved in advance by HUD.

**Out of Town Travel Was Not Approved - Travel Costs Of \$7,758.49 Unsupported**

Our review disclosed that from July 7 to July 13, 1990, the Chairman of the Board of Commissioners and the former Executive Director attended a convention sponsored by the National Association for the Advancement of Colored People (NAACP) in Los Angeles, California. Additionally, from September 21 to September 23, 1990, a Commissioner, the former Executive Director and several employees attended a New Jersey (NJ) Black Issues Convention at East Brunswick, NJ. From a review of the NHA's budget for Fiscal Year 1991, and a review of applicable minutes of the Board of Commissioners, we determined that these trips were not approved by HUD or the Board of

Commissioners. Since approvals should have been obtained, we questioned the eligibility of \$4,733.98 in travel costs associated with the NAACP Convention, and \$3,024.51 for the Black Issues Convention for a total of \$7,758.49. Accordingly, this amount is being considered unsupported pending an eligibility determination by HUD.

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#### Auditee Comments

Officials of the NHA disagree with our finding. They indicated that the NHA is an autonomous body that can adopt comparability studies with municipalities, political subdivisions or the county. They indicated that the City of Newark pays reasonable substance costs and there is no maximum amount established, and that the NHA policy is more economical. Also, the comments imply that trips outside the NHA's jurisdiction are approved by the Board of Commissioners during the process of approving travel expenditures. Furthermore, the comments provide that budgeted travel costs are included in the annual budget which is approved by the Board of Commissioners and HUD (See Appendix B)

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#### OIG Evaluation of Auditee Comments

Contrary to the information provided by the NHA, we obtained information and documentation from the City of Newark which revealed that its travel policy is comparable to Federal travel requirements. We recognize that the NHA may adopt a travel policy comparable to the next larger political subdivision if the local government has not officially adopted a travel policy. The NHA indicated that all travel expenses are part of the operating budget and are approved by the passing of a Board of Commissioners resolution and by HUD with the approval of the budget. However, the two trips discussed in the finding were not included in any budget and/or budget revision. Furthermore, the NHA did not provide us with a Board of Commissioners resolution approving the two trips.

## Recommendations

We recommend that you instruct the NHA to:

- 6A. Amend its travel policy to conform with the policy of the City of Newark.
- 6B. Ensure that all travel outside the NHA's jurisdiction is approved by HUD and the Board of Commissioners
- 6C. Determine the eligibility of the unsupported costs of \$11,435.49 and require the NHA to reimburse the General Fund from non-Federal funds for any amount considered ineligible.

## Other Matters Needing Corrective Action

During our audit we noted several matters that need corrective action to bring the NHA either into compliance with local or HUD requirements or to promote better efficiency and economy in its operations. The areas requiring corrective action pertain to: the distribution of payroll checks to maintenance employees; the safeguarding of unused rent receipts forms; the maintenance of personnel files; the preparation of bank reconciliations; the allocation of employee fringe benefit costs; the controls over active housing units; and the maintenance of the financial records of the HFC. Each is discussed separately below:

### Need To Strengthen Controls Over the Distribution of Payroll Checks

Our review disclosed that the NHA needs to strengthen controls over the distribution of payroll checks to maintenance employees. We found that the person who approves the maintenance employees' times cards also is the person who distributes the payroll checks. HUD Handbook 7460.7 REV-1, Field Office Monitoring of Public Housing Agencies (PHAs), Appendix 4, Section IV, Paragraph D, addresses the need for separation of duties in financial matters. In order to enhance internal controls over the distribution of payroll checks and to ensure against errors and irregularities in the payroll system, we believe that the NHA should require that payroll checks be distributed by a person other than the person that approves the time cards.

### NHA Was Unable To Locate Rent Receipt Forms

Although all funds were accounted for during our surprise cash count of rent receipts, the NHA was unable to locate 12 prenumbered rent receipt forms. Unused rent receipt forms are kept in a supply room instead of in a safe or locked cabinet. Consequently, unused forms are not adequately protected against theft or loss. In this regard, the NHA should protect unused cash receipt forms by keeping them in a locked room or safe.

### Personnel Files Do Not Contain All Appropriate Documentation

Section 108 of the NHA's Personnel Policy provides that every employee shall have on file a record of his employment, which shall be located in the Personnel

**Employee Personnel Files  
Do Not Contain All  
Documents**

Department. This file shall contain all appropriate information relative to the employee's work history with the NHA.

Our review of personnel files of 48 employees disclosed that 32 had one or more documents missing or were not up-to-date. The types of missing documents included personnel actions, performance evaluations, and salary determinations. We attributed this deficiency to the Personnel Department's failure to follow its filing procedures, which are designed to ensure that applicable documents are placed in personnel files containing all necessary documents. Consequently, various employee personnel files do not contain required documents that would be necessary to effect personnel actions. Therefore, we believe that the NHA should adhere to establish filing procedures to ensure that employee personnel files contain all required documents and are updated regularly.

**Bank Statements Should Be  
Reconciled**

HUD Handbook 7460.7, Appendix 4, Section IV, Paragraph E, provides that bank accounts be reconciled monthly.

**Bank Reconciliations Should  
Be Performed Monthly**

Of the 46 NHA bank accounts we reviewed, four had not been reconciled since May 1990. Additionally, the bank statements for the HFC had not been reconciled since November 1990. NHA officials said that very low activity in the accounts and understaffing are the reasons that the bank reconciliations were not performed. However, we believe reviews of the transactions in these accounts should be performed monthly regardless of the low activity to detect and correct any errors or irregularities that may occur.

**Allocation Of Employee  
Fringe Benefits Costs May  
Not Be Equitable**

OMB Circular A-87, Cost Principles For State and Local Governments, requires that indirect costs be distributed equitably to all programs that benefit from their incurrence. The distribution of employee fringe benefit costs among various programs was not supported by adequate documentation showing that the distribution was equitable. For example, the NHA allocated employee fringe benefit costs to its Existing Section 8 Program using unsupported percentages of the program's total salaries. Specifically, the percentages used were 10 percent for health benefits,

10 percent for pension costs, and 7.65 percent for social security for a total of 27.65.

#### NHA Used Estimated Percentage To Allocate Fringe Benefit Costs

However, for its owned housing program, employee fringe benefit costs were 35.78 percent of the program's total salaries for the Fiscal Year ended March 31, 1991. In our opinion, the unexplained difference of 8.13 percent between the 27.65 percent used to allocate employee fringe benefit costs to the Section 8 program and the 35.78 percent associated with the allocation of fringe benefit costs for the owned housing program is an indication that the allocation of employee fringe benefit costs among the different programs may not be equitable. NHA officials advised that estimated percentages are used to allocate costs among different programs because it would be too costly to develop procedures to allocate actual costs. Nonetheless, we believe that the NHA should have adequate documentation evidencing that the percentages used to allocate employee fringe benefit costs among its different programs are equitable.

#### Mathematical Error Made During Allocation of Fringe Benefit Costs to The Section 8 Program

Apart from the above, we found that the amount of employee fringe benefit costs allocated to the Section 8 Program for the Fiscal Year ended March 31, 1991 only represented 21.01 percent of total salaries instead of 27.65 percent. This occurred because the base salary used to allocate the fringe benefits was \$78,634.39 less than the actual salary expense. NHA officials agreed that the allocation of employee fringe benefits costs to the Section 8 program was incorrect due to a mathematical error. Therefore, we believe that the NHA should correct the error and make all necessary adjustments to the costs of affected programs.

#### NHA Needs To Enhance Controls Over Active Housing Units

During our audit, the NHA provided us various documents reflecting a different number for its total active housing units. For example, the NHA's budget for Fiscal Year 1992 showed the total number of active units as 10,588, while the budget for Fiscal Year 1993 reflected active units as 10,689. Since no new units were added between the two fiscal years, NHA officials were unable to provide us with an explanation for the discrepancy. We attribute the discrepancy to the NHA's failure to perform required annual inspections of its units as discussed in Finding 2. As a result, the NHA may not have an up-to-date inventory

of its housing stock. Since the total number of active units is used to compute operating subsidies under the Performance Funding System, the accuracy of the number of active units is essential to determine the amount of Federal subsidy each year. Therefore, the NHA must maintain an accurate physical inventory of its total active units.

**The Cash Disbursement And  
General Ledger of the HFC  
Have Not Been Posted Since  
December 1990**

The cash disbursements book and general ledger of the HFC have not been posted since December 1990. Additionally, we found that income received in conjunction with facilitating financing for the Fairview Homes Project (See Finding 4) was not recorded in the financial records of the HFC. The indentures of trust for the different projects that were financed through the HFC require the HFC to keep proper books and records for the complete and accurate recording of its transactions relating to the projects. NHA officials advised that HFC does not have any employees and that record keeping for the HFC has a low priority. However, we believe that the NHA should ensure that the financial records of the HFC are kept current and accurate at all time to promptly detect and correct any financial error or impropriety that may occur.

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**Auditee Comments**

The NHA indicated that it is in the process of implementing most of our recommendations, and that it has an up-to-date inventory of its housing stock. (See Appendix B)

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**OIG Evaluation of  
Auditee Comments**

During the audit, we had several meetings with NHA officials in an attempt to obtain an up to-date inventory of the NHA's housing stock. Each list that was provided had discrepancies, e.g., an increase in the number of units at a project that had no new construction. We concluded that the NHA may not have an up-to-date inventory of its housing stock.

## Recommendations

We recommend that you instruct the NHA to:

- 7A. Require payroll checks to be distributed by a person other than the person that approved the employee time cards.
- 7B. Ensure that unused rent receipt forms are kept in a locked room or safe.
- 7C. Adhere to the filing procedures that are designed to ensure that applicable documents are put in personnel files of employees
- 7D. Perform monthly bank reconciliations for all active bank accounts.
- 7E. Develop support for the percentages being used to allocate employee fringe benefit costs among different programs and to ensure that the costs are allocated equitably. Regarding the mathematical error made during the allocation of employee fringe benefit costs to the Section 8 Program for the Fiscal Year ended March 31, 1991, the NHA should be instructed to correct the error and make all necessary adjustments to the costs of affected programs.
- 7F. Maintain an up-to-date inventory of its housing stock.
- 7G. Direct the NHA to establish procedures to ensure that the books and records of the HFC are complete and accurate, thereby requiring timely postings.



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# Issues Needing Further Study

## Security

The NHA's security force is composed of 40 armed special police, 103 unarmed guards, 4 community investigators, and 10 corrections officers. During the audit, we spoke with several project managers regarding security at the projects. They informed us that their requests for more security at the project level have been denied because of a shortage of security personnel; accordingly, they believe that the security force does not have enough guards and special police to perform an effective job in a high crime area. In this regard, we believe that the NHA should perform a comprehensive study to determine whether its security force is adequately staffed and effective.

During the audit, we observed that security guards and special police are required to report to their headquarters located at one of the projects. Afterward, they must be deployed to different NHA projects located throughout the City of Newark. Only four vehicles are used for this purpose, resulting in some staff having to wait long periods of time before reaching assigned posts. The same procedure is repeated at the end of the shift because guards must return to their headquarters to punch their time cards. We believe that this problem can be solved if additional vehicles are assigned to the security division.

## High TARs

HUD Handbook 7460.7 REV-1, Chapter 2, provides that the norm for Tenant Accounts Receivable (TARs) should not be higher than 10 percent of the monthly rent roll. The average percentage at the NHA during 1991 was 29 percent. In an effort to reduce its TARs, the NHA instituted various strategies to increase collection of rents. Included in the strategies are procedures for the Legal Department to contact courts for hearing cases to evict tenants who abuse their unit or refuse to pay owed rent, the acceptance of partial rents, and the lobbying of the State of New Jersey Welfare Department to solicit direct rent payments. Although these strategies have produced some results, TARs have remained high. Therefore, the development and implementation of additional strategies could be considered.

Resident Management  
Contracts Are Not Being  
Executed

At our audit completion date, contracts had not been executed between the NHA and its resident management organizations. 24 CFR, Part 964.17 directs PHAs to provide guidance to tenants to assist them in establishing and maintaining a tenant organization. We were informed by a HUD official that the contracts have not been executed because resident managers have not prepared work plans and budgets in a timely manner. We believe that the HUD-Newark Office should conduct a study to develop procedures to expedite the execution of contracts between the resident managers and the NHA.

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# Internal Controls

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In planning and performing our audit, we considered internal controls of the NHA in order to determine our auditing procedures and not to provide assurance on internal controls. Internal controls consist of a plan of organization and methods and procedures adopted by management to ensure that resource use is consistent with laws, regulations, and policies, that resources are safeguarded against waste, loss and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

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## Internal Controls Assessed

We determined that internal controls pertaining to the following areas were relevant to our audit objectives:

- Cash Management
- General Administration and Accounting
- Travel
- Insurance and Fidelity Bond Coverage
- Salary Comparability
- Commissioners
- Admissions and Occupancy
- Tenant Accounts Receivable
- Operating Subsidy
- Cost Allocation
- Procurement and Contracting
- Maintenance
- Housing Quality Standards
- Project Demolition

We assessed all the relevant controls identified above.

It is a significant weakness if internal controls do not give reasonable assurance that resource use is consistent with laws, regulations, and policies; that resources are safeguarded against waste, loss and misuse; and that reliable data are obtained, maintained, and fairly disclosed in reports.

## NHA Has Significant Weaknesses In Internal Controls

Based on our review, there are significant weaknesses in the internal controls areas cited in the Findings.

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# Follow Up On Prior Audits

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Our prior audit report, OIG Audit Report Number 84-NY-201-1020, for the period ended March 31, 1983, contained 11 findings. During the current audit, we found that the NHA had not addressed all recommendations in the prior audit report although it had advised the HUD-Newark Office that the recommendations would be implemented.

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## Follow Up On Prior Audits Assessed

We found that weaknesses continue to exist in the following areas:

- Inadequate management of maintenance program and resources (Finding 2).
- Operating subsidies were received for units not available for occupancy (Finding 1).
- Inefficient use of available modernization funds to maintain projects (Finding 3).

Additionally, the latest Independent Audit report completed by Frye, Williams and Company for the Fiscal Year ended March 31, 1990, contained 27 findings, one of which was controlled by the Office of the Regional Inspector General for Audit. The controlled finding required performance of a physical inventory, updating the property ledger and developing a property control system. At our review date, the issue pertaining to the property controls system was open while the issues in the other 26 findings had been cleared. However, our review disclosed that weaknesses continue to exist in the following areas:

- Personnel files lacked required documentation (Finding 7).
- Tenant files were incomplete and did not always contain applications, evidence income was verified and tenant certification and re-certification forms (Finding 5).

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# Schedule of Unsupported Costs

<u>Finding Number</u>	<u>Unsupported 1/</u>
3	\$8,044,158.15
4	379,183.40
6	<u>11,435.49</u>
Totals	<u>\$8,434,777.04</u>

- (1) Unsupported amounts are not clearly eligible or ineligible but warrant being contested because of the lack of documentation supporting the need to incur such costs.



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## Auditee Comments

HOUSING AUTHORITY  
OF THE CITY OF NEWARK

Robert L. Sprull, Chairman

57 SUSSEX AVENUE • NEWARK, NEW JERSEY 07102-3992  
TELEPHONE 201 430-3430 FAX: 201 642-1342  
EXECUTIVE DIRECTOR • HAROLD LUCAS

September 9, 1992

Mr. Paul Kane  
Regional Inspector General for Audit  
U.S. Department of Housing  
and Urban Development  
26 Federal Plaza  
New York, New York 10278-0068

Dear Mr. Kane:

SUBJECT: 1992 Inspector General's Audit

We are submitting herewith the final copy of our responses to the 1992 Inspector General's Audit. It is our understanding that this will be incorporated with your audit findings.

If you have any further questions, please feel free to contact Mr. Johnson Abraham at (201) 430-2209.

Yours truly

Harold Lucas  
Executive Director

HL:ik

Enclosure

Commissioners: Gloria L. Gathright, Vice Chairman • Doris McCray, Treasurer •  
Wilma Tolman • Zimard Smith • Lynell Robinson • Rolando Vazquez



# HOUSING AUTHORITY OF THE CITY OF NEWARK

Robert L. Sprull, Chairman

67 SURREY AVENUE • NEWARK, NEW JERSEY 07102-0667  
TELEPHONE: 201-430-3420 FAX: 201-542-3442  
EXECUTIVE DIRECTOR • HAROLD LUCAS

## Summary and Highlights of NHA Responses to the 1992 OIG Report

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The current administration of the NHA which took over in March 1992 concurs with many of the audit report's recommendations. However, the Authority disagrees strongly with some of the report's findings and how they were presented. This Authority's greatest concern is the undue and exaggerated negative inferences regarding the operation of the NHA. The simple truth when all the facts are considered is quite the contrary. Accordingly, the NHA respectfully requests the Inspector General to remove incorrect findings and to modify its comments to more accurately describe the operations at the NHA.

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Committee Members: Gloria L. Carlsright, Vice Chairman • Gail McGraw, Treasurer •  
William Edmonson • Zimmerman Smith • Lynne Robinson • Rolando Velazquez

Finding 1

The Housing Stock Of The NHA Deteriorated

As Its Operating Reserve Increased To \$31

Million

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NHA Audit Response

The report seems to fault the NHA for receiving subsidy for dwelling units in closed and partially closed buildings, implying that receiving these subsidies is improper in some way.

- a. The NHA, in accordance with HUD regulations, properly requested and received subsidy for dwelling units in closed and partially closed buildings in accordance with HUD approved Comprehensive Occupancy Plans.
- b. There are presently no Federal rules or Regulations which preclude the receipt of these funds. Accordingly this finding in its form and substance should be removed.

The audit report clearly advocates HUD's proposal that units in vacant buildings should not be entitled to subsidy. Congress to-date disagrees and has in fact rescinded the regulation to exclude units in vacant buildings from receiving subsidy.

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Moreover the Inspectors General's misrepresentation of the \$31 million in operating reserves should also be modified.

A true picture of the reserves at the NHA must take into account the following adjustments:

Operating reserve balance as of 3/31/92.....		\$ 31,635,463
Less:		
Utility Adjustments:		
3/31/91.....	\$ 4,290,999	
3/31/92.....	\$ 5,019,301	\$ 9,310,300
		<hr/>
		\$ 22,325,163
Less:		
Appropriate reserves (4/1/92 - 3/31/93)		\$ 6,575,000
		<hr/>
Projected reserves as of March 31, 1993.....		\$ 15,750,163

The use of the \$6.6 million of reserves represents the current administration's aggressive approach at correcting the maintenance neglects of previous NHA administrations.

The auditors fault the NHA for accumulating reserves of over \$30 million. The accumulation of these funds is due primarily to the HUD Area Office mandate (confirmed in a letter dated June 9, 1987) not to expend funds for capital expenditures in "non-viable" projects such as Scudder Homes and Hayes, except for emergencies as approved by HUD. This was in accordance with HUD regulations for projects deemed "non-viable" as then defined in the CIAP regulations.

It is common knowledge that when the major systems and equipment are in major disrepair due to deferred modernization, maintenance, even extra-ordinary maintenance, will be uneconomic and, in the long run, will not work. The systems should be replaced, not repaired; like with an old car, repairing will be more expensive and will not work. It will be like the proverbial "throwing our money against the wall".

The 1979 NHA Master Plan proposed a long-term solution to this problem. If the projects could not be modernized, the only other recourse (under HUD regulations in effect during 1979) was to relocate the residents to appropriate housing and demolish the "non-viable" buildings.

Note that the demolition approach and the prohibition from capital expenditures was driven by the CIAP definition of "viable" projects.

HUD supported the Master Plan by providing CIAP funds for the demolition of buildings in three family high-rise projects and providing development funds for new housing for relocation purposes. Furthermore, HUD requested, received, approved and endorsed a plan to depopulate all the buildings in Scudder Homes and Hayes Homes.

Upon approval of the CGP Comprehensive Plan this year, only Columbus Homes will be considered a "non viable" development under the CGP definition of viability. The CGP Plan places a high priority in the substantial modernization of the viable family high-rise projects

Operating reserves will be utilized to supplement CGP modernization grants for the substantial rehabilitation of family high-rise projects. Furthermore, \$6.6 million from operating reserves was budgeted in the FY 1992/93 Low Income Housing Program Budget.

A balanced review of the Operating Reserves levels of the NHA should have included the information that a significant proportion (over 20%) of the Operating Reserves has been proposed and approved for expenditure during the current fiscal year.

The following is background information on the events which has lead to the vacant unit situation at the NHA.

The deterioration of the Newark Housing Authority housing stock began

- (1) with the 1967 riots in Newark in which substantial damage (over \$5 million) was done to housing stock, and no additional HUD funding dollars was given to NHA to repair damages.
- (2) 1969 - 1973 longest rent strike in our nations history (18.6 million dollars T.A.R.s).
- (3) inadequate operating subsidy funding levels under the Performance Funding System (PFS) between '75-'80 seriously constricted the NHA ability to operate its developments.
- (4) residents receive reductions in eligibility levels for

public assistance and a host of cutbacks in federally sponsored programs had the net effect of reducing NHA income from resident rents and the residents sought assistance from PHA's.

- (5) on March 31, 1979, the NHA had a 4.2 million negative operating reserve.

Although the cycle began by "merely" falling behind in completing requests for apartment repairs, it rapidly spiraled to accelerated plant deterioration, additional cost increases, further service reductions and heightened tenant frustrations, which ended in despair, and the abandonment of millions of dollars of public investment and unprecedented default on a national commitment.

As a result, the housing stock deteriorated and vacancies increased.

In regard to operating subsidies received during this period, the NHA submitted subsidy calculations within the rules and regulations promulgated by HUD, and were approved by HUD each year.

The HUD regulation on when a dwelling unit is considered available for occupancy and eligible for Operating Subsidy is from the date on which the End of the Initial Operating Period (E.I.O.P.) for the project is established until the time it is approved by HUD for deprogramming and is vacated or is approved for non-dwelling use.

It must be noted that the present administration took over operation as of March 16, 1992, and has already instituted a comprehensive management plan to address vacancies and turnaround time (Comprehensive Vacancy Reduction Plan in MOA).

On pages 1 and 7 of the audit report, the auditors state that the NHA modified its demolition plans (reduced the number of buildings to be demolished) due to lack of land and funding for replacement housing. These statements are arguable and may or may not be true; but by selective omission of other more critical and relevant events, the audit report misrepresents the rationale for the modification of the demolition plans of the NHA.

The report does not state the more relevant fact that the definition of "viable" was substantially modified in the 1988 amendment to the Housing Act such that most of the NHA developments that were "non-viable" under the CIAP definition are now "viable" under the 1988 legislation.

For the record, the NHA modified its demolition plans primarily

because the 1988 legislation made it possible for some of the family high-rise projects to be assessed as "viable".

There are inaccuracies in the dwelling unit data of the report.

Appendix C of the audit report overstate the number of units in closed buildings for which the NHA has been receiving subsidy by 369 units (over 20%). The NHA has not been receiving subsidy for Buildings 3, 4 and 5 of Kretschmer Homes for over five years. This information is readily available in the LHM Budget submissions of the NHA.

The 105 unit discrepancy mentioned in page 66 of the audit report are non-dwelling units reported in HUD Form 51234 every six months. HUD Area Office disallowed subsidy for these units and the NHA continues to contest their disallowance based on HUD regulations. This information is available from HUD's Budget approval letters as well as in HUD Form 51234 and the Budget submissions.



## The Maintenance Operations Of The NHA Continues To Be Ineffective

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### NHA Audit Response

The NHA accept, in part, the recommendations of the IG and submit the following:

The current administration of the NHA has implemented the following course of action to address the deficiencies in the NHA's maintenance operation.

1. Manager-in-charge concept has been implemented,
2. Maintenance decentralization,
3. Automated work order system,
4. Force account labor for special projects,
5. Implementation of tenant training programs,
6. Use of independent contractors to expedite deferred maintenance.

The NHA, by outdated HUD's standards, has a higher ratio of workers to units than the national average. By definition, average means that some will be above the norm and some will be under the norm. The NHA, as with other large PHAs in poorer urban areas, require more maintenance workers because of the serious economic and social conditions in and around public housing that are endemic in urban America.

An action plan for achieving NHA performance goals has been established by the Executive staff and is made up of two parts: (1) the actual plan itself, including specific tasks, responsibilities, time schedules, budgets and (2) the process by which the plan is developed, implemented and managed. The Agency's plan for maintenance has been effectively analyzed. An analysis by

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the top staff of the maintenance operation revealed three areas in need of improvement: a periodic and facilities inspection system is put in place, an adequate preventive maintenance program is now operational and work orders are now assigned priorities for completion. The action plan for achieving these goals included the immediate inspection of all units, grounds, and systems, and analysis of the work identified by the inspection, scheduling of the work, and the development of a PM program that is implemented after completion of the above.

#### Reserves

The cash reserves has been an effective "cushion" NHA has in terms of its capacity to withstand fluctuations in our current economic condition and severe cut backs in allocations to public housing.

The present administration realized, early on, that it was absolutely essential to emphasize the achievement of acceptable performance levels on the project sites over that of accumulating substantial reserves. Currently, NHA utilizes its resources to bring about specific project level performances. The Executive Director has encouraged a policy of site-specific performance levels consistent with prudent financial management. Since his appointment, \$ 3.7 million has been allotted from operating reserves on strictly maintenance related expenditures.

#### Work Order Tracking System

Modifications of the work order tracking system were designed to compile previously unrecorded data. These modifications were augmented by changes in our operational procedures, staff skills and other organizational components. Under the reorganization of the maintenance division, systems have been put in place that will determine the causal factors for incomplete, inefficient work.

Scheduling the work through a computerized work order system will generate the following information:

- source of order
- date of order
- name of person drafting the order
- location of work to be performed
- name and phone number of person occupying or using the location
- description of the work required
- a priority rating

- notification of user of data work to be performed
- actual date work performed on
- actual persons used to perform work
- actual time taken, materials used
- signature of person performing the work
- signature of resident acknowledging and approving the work
- QC report

Scheduling will also include prioritizing and estimating. Prioritization will provide a rational way of leveling the work load while at the same time maintaining standards for response. To avoid extreme variances in projected costs, a professional estimator services will be used. This will allow accurate depictions of what skills are needed, how much of them are required, what equipment and materials will be needed. This ensures that there is maximum utilization of resources.

The role of the various HUD field offices, in addition to monitoring performance and auditing compliance, should be a technical assistance role, especially to those PHA's that exhibit a desire and capacity to address performance levels below acceptable ranges. Technical assistance involves joint problem solving by the NHA and HUD and the provision of technical advice and support by HUD.

The Newark Housing Authority contracted OKM to review its maintenance operations and make recommendations for improvements. The Newark Housing Authority has started implementing these recommendation and reviewing on a daily basis the effectiveness of its maintenance operation. The new work order system is on-line and has effectively cut into response time to complete work orders. The manager has been put in charge of his complex and is evaluated along with the superintendent at each site. Daily inspection tours are performed at each site to continuously evaluate effectiveness of maintenance staff. A standardize a preventive maintenance program is in place and SOPs have been given to trades and maintenance staff. The Newark Housing Authority is continuously training maintenance staff in these areas of responsibility. The Newark Housing Authority is also training and hiring residents to work in maintenance areas. The Newark Housing Authority Inventory Control Unit is currently monitoring project sites inventory and procedures are in place to safeguard material and enjoyment.

Finding 3

## Ninety-Eight Percent Of Occupied Units Inspected Failed Housing Quality Standards

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### NHA Audit Response

The heading:

"...98% of Occupied Units Inspected Failed Housing Quality Standards"

gives the distinct impression that 98% of NHA dwelling units are substandard and even uninhabitable.

And yet, in the fine print four pages later, the finding states

"Although the known causes of most of the violations can be attributed, in part to normal wear and tear ...."

An analysis of the inspection results show that 105 of 150 units inspected (70%) had, at most, two violations, most of which were admittedly due to wear and tear, and likely minor in nature.

A 70% compliance rate is far from ideal and corrective action is certainly needed. Nevertheless, this does not square with the images of substandard and uninhabitable housing deliberately evoked by the headline.

Neither did the audit report make reference to the inspection report of the HUD Area Office on a sample of dwelling units recently renovated. The inspection report concluded that most of the units inspected were in compliance with HQS standards.

While NHA had previously targeted 100% in the prior fiscal year (1991/1992) and completed 98% through March of 1992, the present schedule will accomplish the maximum completion rate as required. Moreover, the plan will also identify time frames for the completion of units that have failed HQS, need rehabilitative work and subsequent reinspection. This schedule will be utilized in conjunction with requirements established by any memorandum of

agreement (MOA) between NHA and HUD as a result of failing grades derived from the Public Housing Management Assessment Program (PHMAP).

Additionally, all vacant units which are recovered within the period, both moderate/light rehabilitation must be inspected using the standards established by HUD.

All violations will be documented via NHA's upgraded, computerized work order system. As with HQS, the managers and maintenance staff at each site has been given the responsibility of making the necessary repairs within a thirty (30) day period, except in the case of emergencies and the subsequent reinspection of the unit.

Inspection of common areas, while a part of the overall unit inspection package, in most instances, show a need for substantial rehabilitation and in some cases the need to utilize funding received through HUD's Comprehensive Modernization Program or past CIAP, MROP awards. This will undoubtedly result in a failure for occupied units contained in these buildings and will be so documented.

Under PHMAP, inspection of major systems and items contained in the building envelope package is currently being done. Reports have been received from personnel responsible for conducting these activities at each site.

NHA recognizes the need to implement a Comprehensive Preventive Maintenance Program and consequently commissioned a study conducted by O.K.M. Associates, Inc., of 164 Canal Street, Boston, MA 02174. The study dated March 1, 1992 provides an independent report on NHA's comprehensive plan for facilities maintenance management. Training for site managers and senior maintenance personnel begun on Wednesday, August 12, 1992, as part of the Phase 1 implementation of the study. This training when completed, will have covered areas including, but not limited to, the following:

- Creating a baseline to establish a planned maintenance program.
  - Understanding of estimating and budgeting terminology and techniques.
  - Developments of a work schedule
  - Administrative supervision.
-

- Creating a complete maintenance work plan.

The training which is on-going and will be completed in five (5) more sessions should provide personnel with the necessary skills to conduct a comprehensive preventive maintenance program resulting in a higher percentage pass rate for unit inspections.

Close monitoring by senior management staff should enhance the foregoing.

The failure of 98% of occupied units that failed H.Q.S. is inclusive of common said site areas. We have trained teams that are familiar with H.Q.S. and will coordinate efforts to make repairs as required by HUD handbook 7460.7 Rev. 1. The two (2) new teams Apartment Recovery Unit (ARU) which is being funded from Operating Reserves trained H.Q.S.

## The IIFC Did Not Use Excess Compensation To Fund Debt Service Reserves

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### NHIA Audit Response

Contrary to the IG finding and the Area office General Counsel's opinion, the NHIA's management of the HFC finances was proper. Please see attached Legal Opinion.

Also note all references to the IIFC President/Executive Director should be corrected to indicate "prior" Executive Director as the current Executive Director is not the President of the HFC.

M E M O R A N D U M  
HOUSING AUTHORITY OF THE CITY OF NEWARK  
September 8, 1992

TO: Harold Lucas, Executive Director

FROM: Frank L. Armour, General Counsel

CC: Johnson Abraham, Assistant Executive Director

Re: Inspector General's Audit Finding;  
Use of Excess Housing Finance Corporation (HFC) Funds.

You have requested my opinion regarding the audit finding of the Inspector General regarding the use of HFC funds to defer costs of legal services provided with respect to public housing matters. The Inspector General appears to believe that there is some HUD regulation which prohibits said expenditures. The report fails to disclose the regulations or guidelines upon which its opinion is based.

The HFC was organized as a "not-for-profit" corporation under New Jersey Law (Title 15 of the NJSA) to facilitate various bond issues to finance certain privately owned Section 11 (b) low and moderate housing projects. The HFC is not a Public Housing Authority (PHA) organized under NJSA 55:14A-1 et seq. It operates no public housing and does not receive any subsidy from HUD under any low income housing program. Therefore, the HFC is not subject to any of the restrictions on fund expenditures applicable to PHA's.

For its efforts in the financing of the Section 11 (b) housing, the HFC received certain fees and other revenues. This income, plus accumulated interest, is available to be spent for any purpose for which the HFC deems it appropriate. According to its By-laws, the revenue of the HFC may not be spent for anything but housing purposes. All that is required is that the expenditure be authorized by a resolution of the NHA Board of Commissioners and by the HFC Board of Trustees. This is in accordance with the By-laws of the HFC.

Notwithstanding the Inspector General's position, I remain of the opinion that the HFC acted correctly when it authorized the expenditure of funds for various legal actions. This includes payment of the costs of litigation against HUD to enforce the Authority's right to certain money which was wrongfully withheld by HUD. It is my opinion that the expenditures of the HFC, which were challenged by the Inspector General, constitute "expenditures for housing purposes." The expenditures of the HFC are not expenditures of the Housing Authority of the City of Newark under any public housing program; therefore, they are free from all constraints imposed by HUD which pertain to expenditures under Low Income Housing Programs. Therefore, it is my opinion that the audit finding is unsupported by any law, regulation, or guideline.



## The NHA Is Not Adhering To Established Admission Procedures

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### NHA Audit Response

The NHA mailed to all Public Housing applicants a request to update the admission applications. If an applicant failed to respond to this request or mail was undelivered, the NHA published in several newspapers including the Newark Star Ledger and minority newspapers, their names asking them to contact this Agency so their admission application could be updated. All applicants that have responded have been placed on a current waiting list for residency as of July 1992, in accordance with HUD Handbook 7465.1, Rev. 2, the Public Housing Occupancy Handbook, Admission Chapter 2-3. Because of the above-mentioned purging of waiting list, the NHA has reduced the admission listing from more than 8,000 applicants to approximately 2,000 eligible applicants.

The NHA has also established the following units in an effort to reduce vacancies, turnaround time, and expedite repairs to vacant units:

- (1) Three (3) new Apartment Recovery Unit (ARU) teams have been originated to repair vacant units, in order to house eligible families off the waiting list. It is estimated that these teams will be able to repair over one hundred (100) apartments each month;
- (2) A dedicated tenant placement unit has been established to expedite and facilitate apartment rent-up utilizing the newly revised waiting list, in accordance with HUD Handbook 7465.1, Rev. 2, Chapter 5

The above units will be funded out of operating reserves and we believe it will make a significant positive impact on rental of vacant units. The tenant placement unit has been trained in the application processing procedure and written standard operating procedures is in place. Also, managers have been trained in conducting timely rent reexamination of residents, in accordance with 24 CFR 960-209 and CFR 990.115. The Managers and Housing Management Office are aided by a Rent Reexamination computer report that is generated weekly indicating residents that have not been reexamined. The NHA has recently put the

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manager in charge of complexes and is evaluating managers on a monthly basis

Some of the criteria being utilized in the evaluation process is as follows:

- (1) Rent Collection
- (2) Rent Reexamination
- (3) Vacancies
- (4) Maintenance
- (5) Management Techniques
- (6) Maintenance of Records
- (7) Evictions, where applicable, etc.

## The NHA Travel Policy Is Not Comparable With Local Public Practice

### NHIA Audit Response

#### THE NHIA TRAVEL POLICY

This audit finding should be removed because the NHA Travel Policy meets all the requirements of HUD Handbook 7401.1, Chapter 5, Section 1 and Section 2. The NHA is an autonomous body, independent of overriding controls by the City of Newark. It can adopt comparability policies with municipalities (City of Newark), political subdivisions (Newark Board of Education) or county (County of Essex), which the NHA has done and has followed for the past 30 years by adopting a resolution (by the Board of Commissioners). In any event, even utilizing the City's Substance Policy, they pay reasonable substance costs and there is no maximum amount established. Furthermore all travel cost utilized were necessary to enable the NHIA to operate its program economically and efficiently. The travel policy the NHA has adopted is more economical than officially adopted policy within stated maximums of comparable and is a reduction from previous NHIA travel policy of \$79.00. Also, the travel policy adopted is less than average cost for other PHA's survey in the State of New Jersey which the average was \$63.00 as of March 1991.

The statement that travel costs were not approved by HUD or the Board of Commissioners is incorrect, pursuant to HUD Handbook 7401.1 Chapter 5 all travel expenditures are part of the operating budget and approved by a resolution approving the annual budget by the Board of Commissioners, and approved by HUD. Each month the Board of Commissioners approves/disapproves expenditures report by line item which includes all travel expenditures. The Board of Commissioners has delegated the Authority to approve travel outside the jurisdiction of NHA to the Executive Director. The specific trips defined as in conflict with HUD Handbook 7401.1, Chapter 5, Section 2, Paragraph 2c were necessary and in line with HUD policy in promoting of minority participation in contracts.

## Other Matters Needing Corrective Action

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### NHA Audit Response

- 7a - In response to the Need to Strengthen Controls Over the Distribution of Payroll Checks, the NHA advised in writing all departments and division sections to have different staff person distribute checks other than TimeKeeper.
- 7b - In response to NHA's Inability to Locate Rent Receipt Forms, the NHA will maintain all receipts on an automated system; discontinuing use of present receipt system.
- 7c - The NHA will maintain check-off list with each personnel file to ensure all applicable items are placed in personnel files.
- 7d - In response to Bank Reconciliations Being Performed Monthly, the NHA have hired additional staff accountants. The NHA will reconcile all bank accounts on a monthly schedule.
- 7e - In response to Allocation of Employee Fringe Benefits Costs Not Being Equitable, the NHA Budget Division will allocate all operating costs of the Section 8 Program and reimburse the NHA for all costs of the Section 8 Program.
- 7f - In response to the NHA Using Estimated Percentage to Allocate Fringe Benefits Costs, the fringe benefit costs of the Section 8 Program will be charged actual cost of fringes. The NHA will be paid 100% of benefit costs of the program.
- 7g - The Department of Housing has an up-to-date inventory of housing stock by unit, building and project site.
- 7h - In response to the Cash Disbursement and General Ledger of the HFC Having Not Been Pased Since November, 1990, the NHA has hired additional staff accountants, the books and records are current.

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NEWARK HOUSING AUTHORITY  
Newark, New Jersey

LIST OF UNITS AT CLOSED AND PARTIALLY CLOSED BUILDINGS

CLOSED BUILDINGS			
BLDG. NO.	ADDRESS	Number of Units	Name of Project
1	1891 McCarter Hwy.	63	Walsh Homes
2	1897 McCarter Hwy.	63	Walsh Homes
7	25 Grafton Avenue	63	Walsh Homes
11	1993 McCarter Hwy.	63	Walsh Homes
8	131 Lincoln Street	52	Scudder Homes
8	121 Lincoln Street	52	Scudder Homes
8	111 Lincoln Street	52	Scudder Homes
8	101 Lincoln Street	52	Scudder Homes
2	77 - 17th Avenue	72	Hayes Homes
2	73 - 17th Avenue	78	Hayes Homes
4	65 - 17th Avenue	72	Hayes Homes
4	61 - 17th Avenue	72	Hayes Homes
7	84 Boyd Street	72	Hayes Homes
7	88 Boyd Street	72	Hayes Homes
9	9 - 17th Avenue	72	Hayes Homes
9	7 - 17th Avenue	72	Hayes Homes
10	274 W. Kinney Street	72	Hayes Homes
10	278 W. Kinney Street	72	Hayes Homes
	SUB-TOTAL	1,186	
PARTIALLY CLOSED BUILDINGS			
2	101 Ludlow Street	69	Kretchmer Homes
1	322 Hunterdon Street	36	Hayes Homes
1	326 Hunterdon Street	36	Hayes Homes
3	338 W. Kinney	36	Hayes Homes
3	342 W. Kinney	36	Hayes Homes
5	41 - 17th Avenue	30	Hayes Homes
5	45 - 17th Avenue	30	Hayes Homes
6	304 W. Kinney	36	Hayes Homes
6	308 W. Kinney	36	Hayes Homes
8	54 Boyd Street	18	Hayes Homes
5	170 Howard Street	32	Scudder Homes
5	176 Howard Street	24	Scudder Homes
5	188 Howard Street	16	Scudder Homes
5	182 Howard Street	16	Scudder Homes
7	200 Howard Street	16	Scudder Homes
7	206 Howard Street	16	Scudder Homes
7	212 Howard Street	16	Scudder Homes
7	218 Howard Street	24	Scudder Homes
	SUB-TOTAL	523	
	TOTAL	1,709	

NEWARK HOUSING AUTHORITY  
Newark, New Jersey

CLOSED BUILDINGS

Project: Walah Homes  
Building No: 1  
Address: 1891 McCarter Hwy  
No. of Units: 63  
Status: 100 Percent  
Vacant and Sealed



Project: Walah Homes  
Building No: 2  
Address: 1897 McCarter Hwy  
No. of Units: 63  
Status: 100 Percent  
Vacant and Sealed



NEWARK HOUSING AUTHORITY  
Newark, New Jersey

CLOSED BUILDINGS

Project: Walah Homes  
Building No. 7  
Address: 25 Gratton Avenue  
No. of Units: 63  
Status: 100 Percent  
Vacant and Sealed



Project: Walah Homes  
Building No. 11  
Address: 1993 McCarter Hwy  
No. of Units: 63  
Status: 100 Percent  
Vacant and Sealed





NEWARK HOUSING AUTHORITY  
Newark, New Jersey

CLOSED BUILDINGS

Project: Scudder Homes  
Building No. 8  
Address: 10, 11, 12, and  
131 Lincoln Street  
No. of Units: 308  
Status: 100 Percent  
Vacant and Sealed



Project: Hayes Homes  
Building No. 2  
Address: 73 and 77 17th Ave  
No. of Units: 140  
Status: 100 Percent  
Vacant and Sealed



NEWARK HOUSING AUTHORITY  
Newark, New Jersey

CLOSED BUILDINGS

Project: Hayes Homes  
Building No. 4  
Address: 61 and 65 - 17th Ave  
No. of Units: 144  
Status: 100 Percent  
Vacant and Sealed



Project: Hayes Homes  
Building No. 7  
Address: 84 and 88 Boyd Street  
No. of Units: 144  
Status: 100 Percent  
Vacant and Sealed



NEWARK HOUSING AUTHORITY  
Newark, New Jersey

CLOSED BUILDINGS

Project: Hayes Homes  
Building No. 9  
Address: 7 and 9 17th Avenue  
No. of Units: 144  
Status: 100 Percent  
Vacant and Sealed



Project: Hayes Homes  
Building No. 10  
Address: 274 and 278 W  
Kinney Street  
No. of Units: 144  
Status: 100 Percent  
Vacant and Sealed



NEWARK HOUSING AUTHORITY  
Newark, New Jersey

## OPERATING RESERVES

PERIOD ENDED	BEGINNING BALANCE	PROVISION FOR OR REDUCTION OF OPERATING RESERVE	ENDING BALANCE	MAXIMUM OPERATING RESERVE	OPERATING RESERVE AS A PERCENTAGE OF MAXIMUM RESERVE
MARCH 1984	\$15,948,288	\$7,638,583	\$23,586,871	\$23,232,855	101.52%
MARCH 1985	23,586,871	(1,026,986)	22,559,885	24,993,548	90.26%
MARCH 1986	22,559,885	3,849,146	26,409,031	25,394,767	103.99%
MARCH 1987	26,409,031	3,292,539	29,701,570	23,693,426	125.38%
MARCH 1988	29,701,570	(1,970,729)	27,730,841	24,526,442	113.07%
MARCH 1989	27,730,841	206,017	27,936,858	25,323,055	110.32%
MARCH 1990	27,936,858	(2,379,306)	25,557,552	26,495,030	96.46%
MARCH 1991	25,557,552	1,856,727	27,414,279	28,814,495	95.14%
MARCH 1992	27,414,279	4,221,184	31,635,463	29,195,360	108.36%

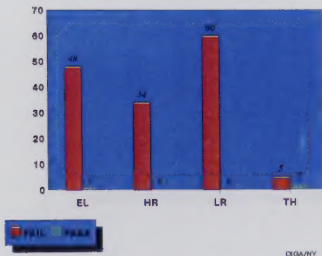
NEWARK HOUSING AUTHORITY  
Newark, New Jersey

## OPERATING SUBSIDY FOR VACANT UNITS

YEAR	UNITS RECEIVING SUBSIDY	UNITS UNOCCUPIED	UNITS DEPROGRAMMED	UNITS VACANT	UMA	UNIT SUBSIDY	OPERATING SUBSIDY
1980	12904	762	0	762	9144	137.68	\$1,268,763
1981	12904	1030	0	1030	12360	153.98	\$1,803,183
1982	12904	2180	0	2180	26160	250.04	\$6,541,048
1983	12904	2943	0	2943	35316	232.58	\$8,213,795
1984	12904	3780	0	3780	45480	218.29	\$9,927,829
1985	12904	4749	0	4749	56988	238.46	\$13,589,358
1986	12864	5007	40	4967	59604	238.35	\$14,206,813
1987	11884	5359	1020	4339	52068	256.46	\$13,353,358
1988	11890	5583	1045	4538	54456	196.46	\$10,890,425
1989	12194	5895	1147	4748	56976	214.06	\$12,196,282
1990	10989	6130	2305	3825	45900	209.53	\$9,617,427
1991	10678	5757	2616	3141	37692	277.04	\$10,442,191
1992	10588	5770	2706	3064	36768	338.28	\$12,474,847
TOTAL							\$124,422,328

NEWARK HOUSING AUTHORITY  
Newark, New Jersey

VIOLATIONS BY HOUSING TYPE



ABBREVIATIONS

EL  
HR  
LR  
TH

HOUSING TYPE

ELDERLY HIGH-RISE  
FAMILY HIGH-RISE  
FAMILY LOW-RISE  
FAMILY TOWNHOUSE

PASS

1  
0  
0  
2

FAIL

48  
34  
60  
5

TOTAL

3

147

NEWARK HOUSING AUTHORITY  
Newark, New Jersey

CAUSES OF HQS VIOLATIONS



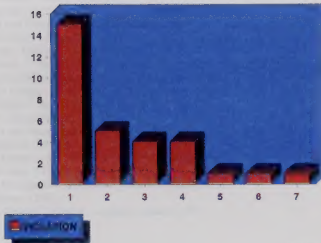
OIGAA/NY

1- PRE-EXISTING CONDITION	8
2- NORMAL WEAR AND TEAR	90
3- TENANT ABUSE	9
4- EQUIPMENT MALFUNCTION	13
5- DEFECTIVE WORKMANSHIP	3
6- ACCIDENT	0
7- ACT OF NATURE	0
8- OTHER	7
9- UNKNOWN	100
TOTAL	230*

\* UNITS HAD ONE OR MORE CAUSE OF VIOLATIONS.

NEWARK HOUSING AUTHORITY  
Newark, New Jersey

TYPES OF BUILDING VIOLATIONS



OIG/NY

1- POOR INTERIOR STAIRS & COMMON HALLS	15
2- POOR SITE AND NEIGHBORHOOD CONDITIONS	5
3- EXTERIOR SURFACE LEAD PAINT	4
4- POOR CONDITION OF STAIR, RAILS AND PORCHES	4
5- INADEQUATE HEATING	1
6- POOR CONDITION OF ROOF AND GUTTER	1
7- POOR CONDITION OF FOUNDATION	1
<b>TOTAL</b>	<b><u>31</u>*</b>

\* THERE WERE MULTIPLE VIOLATIONS FOR SOME BUILDINGS.



## Distribution

Regional Administrator-Regional Housing Commissioner, 2S  
Director, Office of Public Housing, 2PH  
Director (Acting), Accounting Division, 2AF  
Manager (Acting), Newark Office, 2.5S (2)  
Special Assistant, Newark Office, 2.5SA (3)  
Assistant to the Secretary for Field Management, SC (Room 7106)  
Office of the Public and Indian Housing, PF (Room 4122)  
Attn: Comptroller/Audit Liaison Officer (3)  
Acquisitions Librarian, Library, AS (Room 8141)  
Chief Financial Officer, F (Room 10166) (2)  
Deputy Chief Financial Officer for Operations, FO (Room 10166) (2)  
Assistant Director In Charge - U.S. GAO, 820 First Street, NE  
Union Plaza, Building 2, Suite 150, Washington, DC 20002  
General Counsel, G (Room 10214) (2)  
Director, Office of Lead-Based Paint Abatement and Poisoning  
Prevention, B (Room B-133) (2)  
Director, Office of Construction, Rehabilitation and Management,  
Modernization Division, PCR (Room 4130) (2)  
Director, Office of Management Operations, General Management  
Division, PMG (Room 4216)  
Executive Director, Newark Housing Authority, Newark, NJ